

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

The Securities Commission Malaysia (“**SC**”) has granted its consent to the contents of the Independent Advice Letter contained in this Circular (“**IAL**”). However, such consent shall not be taken to imply that the SC agrees with the views and recommendations contained in this IAL. It merely means that this IAL has complied with the disclosure requirements of the Rules On Take-Overs, Mergers and Compulsory Acquisitions (“**Rules**”). The SC takes no responsibility for the contents of this IAL, makes no representations, as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this IAL.



CJ CENTURY LOGISTICS HOLDINGS BERHAD

[Registration No. 199701008845 (424341-A)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE FOLLOWING:

PART A

- (I) **PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CJ KOREA EXPRESS MALAYSIA SDN BHD FROM CJ LOGISTICS ASIA PTE LTD (“CJ ASIA”) FOR A PURCHASE CONSIDERATION OF RM100,000,000 TO BE SATISFIED VIA THE ISSUANCE OF 200,000,000 NEW ORDINARY SHARES IN CJ CENTURY LOGISTICS HOLDINGS BERHAD (“CJ CENTURY”) AT THE ISSUE PRICE OF RM0.50 EACH (“PROPOSED ACQUISITION”); AND**
- (II) **PROPOSED EXEMPTION UNDER SUBPARAGRAPH 4.08(1)(A) OF THE RULES FOR CJ ASIA, FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE THE REMAINING ORDINARY SHARES IN CJ CENTURY NOT ALREADY OWNED BY IT UPON COMPLETION OF THE PROPOSED ACQUISITION (“PROPOSED EXEMPTION”),**

(ITEMS (I) AND (II) ARE TO BE COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF CJ CENTURY IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

PRINCIPAL ADVISER FOR PART A

INDEPENDENT ADVISER FOR PART B



CIMB Investment Bank Berhad
[Registration No. 197401001266 (18417-M)]



MERCURY SECURITIES SDN BHD
[Registration No. 198401000672 (113193-W)]
(A Participating Organisation of Bursa Malaysia Securities Berhad)

In light of the COVID-19 pandemic and the ensuing enforcement of the Movement Control Order in Malaysia, the Board of Directors of CJ Century has decided that the Extraordinary General Meeting (“**EGM**”) for the Proposals shall be held on a fully virtual basis via remote participation through live stream and online voting (“**eLive and eVoting**”). Please refer to the Administrative Guide issued to all shareholders of CJ Century on the conduct of a fully virtual EGM.

The Notice of EGM of CJ Century to be held at the Broadcast Venue: **The Conference Room, No. 12, Persiaran Astana / KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan, Malaysia** on **Thursday, 28 May 2020 at 11:00 a.m.** or immediately after the conclusion or adjournment (as the case may be) of the Postponed Twenty-Third Annual General Meeting of CJ Century to be held at the same broadcast venue on the same day at 10:00 a.m., whichever is later, together with the Form of Proxy are enclosed in this Circular.

If you are not able to participate and vote at the EGM via eLive and eVoting, you may complete the Form of Proxy and deposit it at the Registered Office of CJ Century at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia or submit it via fax at 03-2094 9940 and/or 03-2095 0292 or e-mail to info@sshbs.com.my, no later than forty-eight (48) hours before the time of holding the EGM. Your proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshbs.net.my/login.aspx>. All resolutions set out in the Notice of EGM are to be voted by poll.

Date of Record of Depositors for the purpose of determining
shareholders’ entitlement to participate, vote and speak at the
EGM : Thursday, 21 May 2020 at 5:00 p.m.

Last day and time to submit the Form of Proxy : Tuesday, 26 May 2020 at 11:00 a.m.

Date and time of the EGM : Thursday, 28 May 2020 at 11:00 a.m.

This Circular is dated 6 May 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Act”	:	Companies Act, 2016, including amendments from time to time and any re-enactment thereof
“Board”	:	Board of Directors of CJ Century
“Bursa Securities”	:	Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)]
“CIMB” or “Principal Adviser”	:	CIMB Investment Bank Berhad [Registration No. 197401001266 (18417-M)]
“CJ Asia” or “Vendor”	:	CJ Logistics Asia Pte Ltd (Company No. 200602924M) (incorporated in Singapore)
“CJ Century” or “Company”	:	CJ Century Logistics Holdings Berhad [Registration No. 199701008845 (424341-A)]
“CJ Century Group” or “Group”	:	CJ Century and its group of companies
“CJ Century Share(s)”	:	Ordinary share(s) in CJ Century
“CJKX”	:	CJ Korea Express Malaysia Sdn Bhd [Registration No. 199701000653 (416149-W)]
“CJKX Forwarding”	:	CJ Korea Express Forwarding Malaysia Sdn Bhd [Registration No. 200201006805 (574468-H)]
“CJKX Group”	:	CJKX and its group of companies
“CJKX Shares”	:	Ordinary share(s) in CJKX
“Circular”	:	This circular to the shareholders of CJ Century dated 6 May 2020 in relation to the Proposals
“Conditions Precedent”	:	The conditions of the SSPA as set out in Section 2.1.1(ii) of Part A of this Circular and “Condition Precedent” means any of them
“Consideration Shares”	:	200,000,000 new CJ Century Shares to be issued at the issue price of RM0.50 per CJ Century Share for the satisfaction of the Purchase Consideration
“Director(s)”	:	Director(s) of CJ Century and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007
“EC Distribution”	:	EC Distribution Sdn Bhd [Registration No. 198801008802 (176159-T)]
“EC Services”	:	EC Services Enterprise Sdn Bhd [Registration No. 200201018730 (586393-H)]
“EGM”	:	Extraordinary general meeting
“EPS”	:	Earnings per share
“FPE”	:	Financial period(s) ended/ending, as the case may be
“FYE”	:	Financial year(s) ended/ending, as the case may be
“IAL”	:	Independent advice letter from Mercury Securities to the Non-Interested Shareholders of CJ Century in relation to the Proposals, which is appended as Part B of this Circular

DEFINITIONS (CONT'D)

“Independent Adviser” or “Mercury Securities”	:	Mercury Securities Sdn Bhd [Registration No.: 198401000672 (113193-W)]
“Interested Directors”	:	The Directors of CJ Century who are deemed interested in the Proposals pursuant to Chapter 10 of the Listing Requirements, namely Hong Sung Yong, Ahn Jae Ho, Lee Eui Sung and Park Chul Moon
“Interested Major Shareholder”	:	The major shareholder of CJ Century who is deemed interested in the Proposals pursuant to Chapter 10 of the Listing Requirements, namely CJ Asia
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities including all amendments made thereto and from time to time
“LPD”	:	28 April 2020, being the latest practicable date prior to the printing of this Circular
“LPS”	:	Loss per share
“LTD”	:	11 February 2020, being the last full trading day of CJ Century Shares prior to the announcement of CJ Century dated 12 February 2020
“Major Shareholder”	:	A person who has an interest or interests in one (1) or more voting shares in CJ Century and the number or the aggregate number of those shares, is: (a) 10% or more of the total number of voting shares in CJ Century; or (b) 5% or more of the total number of voting shares in CJ Century where such person is the largest shareholder of CJ Century. For the purposes of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act
“Mandatory Offer”	:	The obligation of CJ Asia to undertake a mandatory take-over offer to acquire the remaining CJ Century Shares not already owned by them upon completion of the Proposed Acquisition
“NA”	:	Net assets
“Non-Interested Directors”	:	All Directors of CJ Century, other than the Interested Directors
“Non-Interested Shareholders”	:	All shareholders of CJ Century, other than the Interested Major Shareholder
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“Proposals”	:	Collectively, the Proposed Acquisition and the Proposed Exemption
“Proposed Acquisition”	:	Proposed acquisition by CJ Century of the Sale Shares from CJ Asia for the Purchase Consideration, to be satisfied via the issuance of 200,000,000 Consideration Shares
“Purchase Consideration”	:	The total purchase consideration of RM100,000,000 in relation to the Proposed Acquisition to be satisfied via the issuance of Consideration Shares

DEFINITIONS (CONT'D)

“Proposed Exemption”	:	The proposed exemption under subparagraph 4.08(1)(a) of the Rules for CJ Asia, from the obligation to undertake the Mandatory Offer
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions, to be read together with the Malaysian Code on Take-overs and Mergers 2016, as issued by the SC
“SC”	:	Securities Commission Malaysia
“Sale Shares”	:	62,356,191 ordinary shares in CJKX, representing 100% equity interest in CJKX
“SSPA”	:	Conditional share sale and purchase agreement dated 12 February 2020, entered into between CJ Century and CJ Asia in relation to the Proposed Acquisition
“Tad Raya”	:	Tad Raya Offshore Sdn Bhd [Registration No. 201401039303 (1115455-W)]
“WVAP”	:	Volume weighted average price

All references to “**our Company**” in this Circular are to CJ Century and references to “**our Group**” mean CJ Century and its group of companies. References to “**we**”, “**us**” and “**our**” are to our Company and where the context requires, our Group.

All references to “**you**” and “**your**” in this Circular are to our shareholders, unless the context otherwise requires.

Words denoting the singular number only shall include the plural and vice-versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa.

Reference to persons shall include a body of persons, corporate or unincorporated (including a trust). Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated.

Any reference to any statute or guideline is a reference to that statute or guideline as for the time being amended or re-enacted from time to time.

(The rest of this page has been intentionally left blank)

TABLE OF CONTENTS

	PAGE
PART A	
LETTER TO OUR SHAREHOLDERS	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE FOR THE PROPOSALS	8
4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS	9
5. RISK FACTORS IN RELATION TO THE PROPOSALS	11
6. EFFECTS OF THE PROPOSALS	14
7. APPROVALS REQUIRED	16
8. INTER-CONDITIONALITY AND OUTSTANDING CORPORATE EXERCISE WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED	17
9. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	17
10. TRANSACTIONS WITH THE INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDER AS WELL AS PERSONS CONNECTED TO THEM FOR THE PAST TWELVE (12) MONTHS	18
11. AUDIT COMMITTEE'S STATEMENT	18
12. DIRECTORS' RECOMMENDATION	19
13. ESTIMATED TIMEFRAME FOR COMPLETION	19
14. EGM	19
15. FURTHER INFORMATION	20
PART B	
INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES TO THE NON-INTERESTED SHAREHOLDERS OF CJ CENTURY IN RELATION TO THE PROPOSALS	21
APPENDICES	
APPENDIX I FURTHER INFORMATION ON THE CJKX GROUP	75
APPENDIX II AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018	84
APPENDIX III DIRECTORS' REPORT ON THE CJKX GROUP	168
APPENDIX IV ADDITIONAL INFORMATION	169
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

PART A
LETTER TO OUR SHAREHOLDERS



CJ CENTURY LOGISTICS HOLDINGS BERHAD

[Registration No. 199701008845 (424341-A)]
Incorporated in Malaysia

Registered Office:

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

6 May 2020

Board of Directors:

Datuk Lee Say Tshin (*Independent Non-Executive Chairman*)
Teow Choo Hing (*Managing Director*)
Yeap Khoo Soon Edwin (*Executive Director*)
Hong Sung Yong (*Non-Independent Non-Executive Director*)
Ahn Jae Ho (*Non-Independent Non-Executive Director*)
Lee Eui Sung (*Non-Independent Non-Executive Director*)
Park Chul Moon (*Non-Independent Non-Executive Director*)
Saryani Binti Che Ab Rahman (*Independent Non-Executive Director*)
Winston Tan Kheng Huang (*Independent Non-Executive Director*)

To: Our Shareholders

Dear Sir/Madam,

- (I) **PROPOSED ACQUISITION; AND**
- (II) **PROPOSED EXEMPTION**

1. INTRODUCTION

On 12 February 2020, CIMB had, on behalf of our Board, announced that CJ Century had on the same date entered into the SSPA with CJ Asia in relation to the Proposed Acquisition. The purchase consideration of RM100,000,000 in respect of the Proposed Acquisition shall be satisfied via the issuance of 200,000,000 new CJ Century Shares to CJ Asia at an issue price of RM0.50 per CJ Century Share.

As at the LPD, CJ Asia holds approximately 30.89% equity interest in our Company. Upon completion of the Proposed Acquisition, CJ Asia's equity interest in our Company will increase to 54.31%.

In view of the interest of CJ Asia, the Major Shareholder of CJ Century, and persons connected with it, in the Proposed Acquisition, the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Please refer to **Section 9** of Part A of this Circular for the details on the interests of directors, major shareholders and/or persons connected to them.

In conjunction with the Proposed Acquisition, pursuant to the Proposed Exemption, CJ Asia intends to seek an exemption under subparagraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer. Please refer to **Section 2.2** of Part A of this Circular for further details of the Proposed Exemption.

Accordingly, we have on 12 February 2020, appointed Mercury Securities as the Independent Adviser to advise our Non-Interested Directors and Non-Interested Shareholders in respect of the Proposals. The IAL from Mercury Securities in relation to the Proposals is set out in Part B of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS TOGETHER WITH THE RECOMMENDATION FROM OUR BOARD (SAVE FOR THE INTERESTED DIRECTORS), AS WELL AS TO SEEK YOUR APPROVAL (OTHER THAN THE INTERESTED MAJOR SHAREHOLDER AND THE PERSONS CONNECTED TO IT) FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND THE IAL TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Acquisition

The Proposed Acquisition involves the acquisition by our Company of the Sale Shares from CJ Asia for the Purchase Consideration of RM100,000,000 to be satisfied via the issuance of 200,000,000 new CJ Century Shares to CJ Asia at the issue price of RM0.50 per CJ Century Share.

Subject to the terms and conditions of the SSPA, the Vendor shall sell and our Company shall purchase the Sale Shares free from any encumbrances and together with all rights and benefits that attach (or may in future attach) to them.

Based on our issued share capital of CJ Century of 390,260,990 CJ Century Shares, excluding treasury shares, as at the LPD, the Consideration Shares represent approximately 34% of the enlarged issued share capital of our Company.

Upon completion of the Proposed Acquisition, the CJKX Group will form part of the CJ Century Group.

Please refer to **Appendix I** of this Circular for further information on the CJKX Group.

2.1.1 Salient terms of the SSPA

The salient terms of the SSPA are set out below:

(i) **Purchase Consideration and manner of payment**

- (a) The total consideration for the purchase of all the Sale Shares shall be RM100,000,000 only which is arrived at on a willing-buyer willing-seller basis.
- (b) The Purchase Consideration shall be settled by our Company on the completion date of the Proposed Acquisition by issuing and allotting the Consideration Shares to CJ Asia.

(ii) **Conditions Precedent**

Completion of the sale and purchase of the Sale Shares ("**Completion**") is conditional upon the satisfaction or waiver (as the case may be) of the following Conditions Precedent:

- (a) the approval of the shareholders of our Company being obtained for the purchase of the Sale Shares in a general meeting to be convened;
- (b) the approval of the SC being obtained by CJ Asia for the exemption under subparagraph 4.08(1)(a) of the Rules from the obligation to undertake a Mandatory Offer upon Completion;
- (c) the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and
- (d) the approval/consent of government agencies and financiers for the transfer of Sale Shares by CJ Asia to our Company, where required.

If the Conditions Precedent are not fulfilled or waived, on or before a date falling six (6) months after the date of the SSPA, or such other date as agreed in writing, either CJ Asia or our Company may terminate the SSPA (other than the surviving provisions of the SSPA) by notice in writing to the other.

(iii) **Termination**

- (a) If any fact, matter or event (whether existing or occurring on or before the date of the SSPA or arising or occurring afterwards) comes to the notice of our Company or CJ Asia (together, "**Parties**" and each a "**Party**") ("**Non-Defaulting Party**") at any time prior to Completion which constitutes:
 - (i) a material breach by a Party of any of the provisions of the SSPA, including but not limited to their respective obligations set out in the SSPA, CJ Asia's warranties or CJ Century's warranties (as the case may be) or any other covenants, undertakings or obligations under the SSPA; and/or
 - (ii) a gross neglect or wilful default by reason of the failure, refusal or inability to complete the transaction in accordance with the provisions of the SSPA,

which is either incapable of remedy, or if it is capable of being remedied, the same has not been remedied by the Party who has breached the SSPA ("**Defaulting Party**") to the satisfaction of the Non-Defaulting Party within thirty (30) days (or such longer period the Non-Defaulting Party grants) from the date of receipt by the Defaulting Party of a written notice from the Non-Defaulting Party of the occurrence of such event or breach by the Defaulting Party, the Non-Defaulting Party shall be entitled to, by written notice to the Defaulting Party, terminate the SSPA (other than the surviving provisions of the SSPA), whereupon the Parties shall each return to the other all information, documents and other materials that have been delivered pursuant to the transaction as contemplated in the SSPA and thereafter the Parties shall have no further claims against each other save and except for any rights and obligations relating to antecedent breaches which have accrued prior to such termination.

2.1.2 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis, after taking into consideration the following:

- (i) the indicative valuation of 100% equity interest in CJKX Group of between RM106 million and RM113 million, based on discounted cash flow ("**Indicative Valuation**");
- (ii) CJKX Group's PAT and NA of approximately RM4.2 million and RM46.4 million respectively, based on its audited consolidated financial statements for FYE 31 December 2018; and
- (iii) the future prospects of the CJKX Group as set out in **Section 4.3** of Part A of this Circular.

The Indicative Valuation of the entire equity interest in CJKX Group was arrived at using the discounted cash flow method, which takes into account the free cash flows of the CJKX Group projected for three (3) years up to FYE 31 December 2022, including the following:

- (i) making the relevant adjustments for financing cash flows from the expected future free cash flows of the CJKX Group;
- (ii) discounting the expected future free cash flows to equity ("**FCFE**"), to present value using the discount rate ranging from approximately 9.5% to 11% (after applying an additional 3% for discount on lack of marketability, taking into consideration the size of operations vis-à-vis the lack of liquidity of CJKX's shares as a private company).

The discount rate of between 9.5% to 11%, being the cost of equity was derived using the capital asset pricing model ie. $K_e = R_f + \beta (R_m - R_f)$, and was arrived at after taking into consideration the following:

- (a) risk free rate of return (R_f) of 2.96% based on the yield of 10-year Malaysian Government Securities;
 - (b) expected market rate of return (R_m) of 9.95% based on 10-year historical expected rate of return for FTSE Bursa Malaysia Top 100 Index; and
 - (c) beta (β) of between 0.5 to 0.75 by un-levering the 5-year historical beta of similar logistics companies listed on Bursa Securities up to the LTD and re-levering it based on the expected capital structure of the CJKX Group; and
- (iii) terminal value of between RM92 million and RM99 million based on the FCFE of the CJKX Group beyond the FYE 31 December 2022 and valuing it to perpetuity with a range of perpetuity growth rate of between 1.5% to 2%, after taking into consideration, amongst others, the long-term growth prospects of the CJKX Group's business and the logistics industry in Malaysia.

After considering the Indicative Valuation, our Company and CJ Asia have commercially agreed at RM100,000,000 being the Purchase Consideration.

2.1.3 Basis and justification for the issue price of the Consideration Shares

Our Board (save for the Interested Directors) has taken into consideration the historical trading prices of the CJ Century Shares up to LTD and is of the view that the issue price of RM0.50 per Consideration Share is reasonable after taking into consideration that the issue price represents a premium to the following market price or VWAP of CJ Century Shares (which have been adjusted for the effects of any dividends and corporate exercises):

For the period up to and including the LTD	Share price (RM)	Premium over share price	
		(RM)	(%)
Last traded market price of CJ Century Shares	0.385	0.115	29.87
5-day VWAP	0.386	0.114	29.53
1-month VWAP	0.388	0.112	28.87
3-month VWAP	0.379	0.121	31.93
6-month VWAP	0.385	0.115	29.87
1-year VWAP	0.439	0.061	13.90

(Source: Bloomberg)

For information purposes, the highest and lowest market prices of CJ Century Shares (which have been adjusted for the effects of any dividends and corporate exercises) on a monthly basis as traded on Bursa Securities for the past twelve (12) months up to 31 March 2020 are set out below:

	High (RM)	Low (RM)
<u>2019</u>		
April	0.452	0.422
May	0.432	0.360
June	0.425	0.370
July	0.470	0.410
August	0.455	0.380
September	0.425	0.370
October	0.410	0.370
November	0.405	0.330
December	0.400	0.330
<u>2020</u>		
January	0.410	0.370
February	0.400	0.360
March	0.350	0.205
Last transacted market price on LTD		0.385
Last transacted market price on LPD		0.285

(Source: Bloomberg)

2.1.4 Ranking of the Consideration Shares

The Consideration Shares shall, upon issuance and allotment, be of the same class and rank *pari passu* in all respect with the then existing CJ Century Shares, save and except that the holders of such Consideration Shares shall not be entitled to any dividends and/or other distributions declared by CJ Century, the entitlement date of which is prior to the date of allotment of the Consideration Shares, and shall be free from all encumbrances.

2.1.5 Listing of the Consideration Shares

Bursa Securities had vide its letter dated 13 March 2020 approved the listing of and quotation for the Consideration Shares to be listed on the Main Market of Bursa Securities, subject to terms and conditions as set out in **Section 7** of Part A of this Circular.

Our Board (excluding the Interested Directors) is of the opinion that the issuance of the Consideration Shares is the most appropriate means of satisfaction of the Purchase Consideration for the Proposed Acquisition given that the Consideration Shares are issued at a premium to the market price of CJ Century Shares and it further allows our Company to conserve our cash reserves without relying on additional borrowings and/or equity fund raising exercise.

2.1.6 Liabilities to be assumed

Save for the obligations and liabilities of our Company arising from or in connection with the SSPA, there are no other liabilities including contingent liabilities and/or guarantees to be assumed by our Company arising from the Proposed Acquisition.

2.1.7 Additional financial commitment

Our Company does not expect to incur additional financial commitment to put the business of the CJKX Group on-stream in view that the CJKX Group has on-going operations.

2.1.8 Information on the Vendor

CJ Asia was incorporated in Singapore as a private company on 2 March 2006 under the laws of Singapore and registered with the Accounting and Corporate Regulatory Authority. The principal activities of CJ Asia are investment holding and the provision of value added logistics services.

As at the LPD, the issued share capital of CJ Asia is as follows:

Amount	No. of shares
SGD 54,000,000	54,000,000 ordinary shares
SGD 116,699,731.59	130,000,000 redeemable convertible preference shares ("RCPS")
USD 82,890,000	82,890,000 ordinary shares

As at the LPD, the shareholders of CJ Asia are set out below:

	<u>No. of shares held</u>
CJ Logistics Corporation	136,890,000 ordinary shares
CS Partnership 2019-1 Limited Company*	130,000,000 RCPS

* which is owned by Kim Young Kwan and Kim Youngsoon, each holding 50% respectively.

The ultimate substantial shareholder of CJ Asia as at the LPD is CJ Corporation, a company listed on the Korea Exchange.

As at the LPD, the directors of CJ Asia are Hong Sung Yong, Yoo Jung Keun, Sim Jae Hun and Min Sun Gi.

2.1.9 Original costs and dates of investment by the Vendor

The details of the dates and original cost of investment made by CJ Asia in the Sale Shares are as follows:

Date of investment	No. of Sale Shares	Cost of investment (RM)
4 August 2006	1,000,000	1,105,541
31 May 2011	15,000,000	15,000,000
15 November 2016	46,356,191	46,356,191
Total	62,356,191	62,461,732

2.1.10 Existing transactions entered into by CJKX with companies involving the interest of related parties

In view that our Company and CJ Asia are related parties, transactions which were entered into between CJKX and CJ Asia and its group of companies as well as other companies which involve the interest of related parties, will become related party transactions to us ("**Continuing Related Party Transactions**") upon completion of the Proposed Acquisition. The Continuing Related Party Transactions generally involve the provision of logistics services. For further details of the Continuing Related Party Transactions, please refer to **Section 11** of Appendix I of this Circular.

We intend to allow CJKX to fulfil its contractual obligations pursuant to existing agreements in respect of all the above transactions from the completion date of the Proposed Acquisition up to the conclusion of the next annual general meeting of our Company ("**AGM**"), at which time the mandate will lapse, unless by a resolution passed at the meeting, the authority is renewed. Our Board estimates the Continuing Related Party Transactions from completion of the Proposed Acquisition to the next AGM would contribute total revenue to the CJKX Group of about RM126 million.

CJKX may also seek to enter into new transactions with other related parties. In such an event, we will take the necessary steps to comply with the obligations under Part E of Chapter 10 of the Listing Requirements, where applicable.

2.2 Details of the Proposed Exemption

Upon completion of the Proposed Acquisition, the collective shareholdings of CJ Asia in our Company will increase from approximately 30.89% to approximately 54.31%. Hence, CJ Asia's holdings of the voting shares of our Company will exceed 33% as a consequence of the Consideration Shares that CJ Asia will receive pursuant to the Proposed Acquisition. In accordance with Paragraph 4.01 of the Rules, CJ Asia will be obliged to undertake the Mandatory Offer upon the SSPA becoming unconditional.

The shareholdings of CJ Asia in our Company as at the LPD and upon completion of the Proposed Acquisition are as follows:

	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of CJ Century Shares	% ⁽¹⁾	No. of CJ Century Shares	% ⁽¹⁾	No. of CJ Century Shares	% ⁽²⁾	No. of CJ Century Shares	% ⁽²⁾
CJ Asia	120,544,236	30.89	-	-	320,544,236	54.31	-	-

Notes:

(1) Calculated based on 390,260,990 CJ Century Shares, excluding treasury shares.

(2) Calculated based on the enlarged share capital of 590,260,990 CJ Century Shares, excluding treasury shares.

As CJ Asia has no intention of undertaking the Mandatory Offer, CJ Asia intends to seek an exemption pursuant to subparagraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Acquisition

The Proposed Acquisition will principally complement and expand the existing logistics business of the CJ Century Group, where the CJKX Group is similarly involved in total logistics services, including freight forwarding, warehousing and distribution, as well as transportation.

The Proposed Acquisition therefore allows our Company to further strengthen our total logistics offerings domestically as well as expansion via the sharing of key logistics hub and global networks. With the combined strength and the backing of the “CJ” name, this opens up new opportunities to our Company, particularly in the course of tendering and servicing multi-national contracts.

Further, by streamlining the logistics business of CJKX Group under CJ Century, our Company envisions to improve operational efficiency and enhance operational synergies between the CJ Century Group and the CJKX Group. This is achieved by leveraging on each other’s resources, expertise and experience, as well as operational consolidation to achieve scale in operation and market presence not only locally but regionally.

Upon the completion of the Proposed Acquisition, the immediate goal is to integrate the support services of both companies, which will be capable of managing the combined strength of approximately one thousand five hundred (1,500) staff across Malaysia. Following that, the mid-term integration goal can be realised with the combination of operational resources, thereby providing seamless solutions to customers.

As a result of the above, the Proposed Acquisition is expected to contribute positively to the future revenue and earnings of the enlarged CJ Century Group.

3.2 Proposed Exemption

The Proposed Exemption will allow CJ Asia to be exempted from the obligation to undertake the Mandatory Offer, as CJ Asia does not intend to undertake the Mandatory Offer.

As the Proposed Acquisition and the Proposed Exemption are inter-conditional upon each other, the Proposed Exemption is necessary for the successful completion of the Proposed Acquisition.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Outlook of the Malaysian economy in 2020

Malaysia's GDP is projected to be between -2.0% and 0.5% in 2020. Global economic and financial conditions, which deteriorated sharply in the first quarter as the COVID-19 pandemic escalated, are expected to deteriorate further, with significant impact on the Malaysian economy. The domestic economy is also facing the economic effects from the necessary actions taken to contain COVID-19 locally and continued supply disruptions in the commodities sector. These shocks, particularly the significant economic repercussions induced by the unprecedented COVID-19 health crisis, are expected to weigh significantly on growth prospects for the year. The containment measures undertaken by authorities globally and domestically, which are critical and necessary, are projected to weigh on growth in the first half of the year. When the health crisis is eventually addressed, growth will be supported by the gradual improvement in household spending, further progress in the implementation of transport-related projects and higher public sector expenditure. The monetary policy responses and economic stimulus measures undertaken in the first half of the year will provide additional support to growth. The economy is subsequently expected to normalize in 2021, in line with the projected recovery in the global economy.

In the manufacturing sector, prolonged factory closures in key industrial hubs in the COVID-19 affected countries is disrupting production activity across the global supply chain. As countries implement containment measures, firms are only able to operate at limited capacity amid labour and logistics constraints, resulting in domestic firms facing difficulty in procuring inputs from source countries. The production disruptions abroad would also lower demand for Malaysian manufactured products, which are often used as input in the affected economies' exports to the rest of the world. Overall, this would compound the effects of weaker final demand from affected countries, thus weighing further on Malaysia's manufacturing activity and exports performance.

The rise in COVID-19 cases domestically since early March 2020 has necessitated implementation of measures to contain the spread. Accordingly, a Movement Control Order (MCO) was implemented on 18 March 2020. Despite the continued provision of and access to essential services during this period, economic activity would nevertheless be impacted as non-essential services cease to operate and selected manufacturing firms operate only at partial capacity. Post-MCO, the reduced social and recreational activities are expected to continue until the pandemic is fully controlled globally and domestically, thus dampening consumption and investment activity.

In response, large countercyclical policy measures have been introduced by the Government and Bank Negara Malaysia to mitigate the economic impact of the COVID-19 pandemic. On 27 February 2020, the Government announced the first economic stimulus package, amounting to RM20 billion with funds to ease cashflow constraints for businesses, provide financial assistance and training for affected individuals and spur investment. The stimulus package was complemented by two consecutive reductions in the Overnight Policy Rate by a total of 50 basis points and measures to provide additional liquidity in the banking system. These were also supplemented by additional measures to increase household disposable income, which include flexibility for monthly cash withdrawal from the Employees' Provident Fund (EPF) for a year and the deferment in repayment of education loans. The additional measures form part of the second economic stimulus package that was announced on 27 March 2020. This stimulus package, totalling RM230 billion, includes a moratorium on loan payments and loan guarantees. Overall, the second stimulus package aims to provide further relief mainly by increasing broad-based financial assistance for households, supporting employment retention and accelerating public sector spending on infrastructure upgrades. These measures are complemented with measures to temporarily defer loan repayments and facilitate the restructuring of loan and credit facilities, particularly for individuals and small and medium enterprises (SMEs). Cumulatively, these policy measures will provide a buffer and avert a sharper contraction in economic activities for the year.

An increase in public sector expenditure will further support growth. The continuation of large-scale transport-related projects, such as MRT2, LRT3 and Pan Borneo highway and the implementation of upstream oil and gas, telecommunication and power generation projects by public corporations underpin the improvement in investment by the public sector. Higher spending by the Federal Government on the economic stimulus packages will lend further impetus to growth. These include the implementation of more small-scale projects worth RM4 billion, higher special allowances for medical personnel, the hiring of temporary contract nurses and increased allocation for the Ministry of Health.

On the external front, net exports of goods and services is expected to contract due mainly to a larger decline in exports. Gross merchandise exports are projected to register a larger negative growth, reflecting primarily weaker global demand conditions following the spread of COVID-19 across many major economies. Commodities exports are expected to contract further due mainly to lower prices of crude oil and LNG, as well as weaker commodities production. Gross imports performance is projected to register a larger contraction, mainly reflecting weaker external and domestic demand. Intermediate imports are projected to decline, mainly in line with the weakness in manufactured exports. Capital imports will register a smaller contraction as slower domestic investment activity will be partially offset by the delivery of the PETRONAS Floating LNG Dua in the first half of the year. Consumption imports are also likely to decline amid slower domestic demand conditions. Consequently, the current account surplus is projected to narrow to 1.0 - 2.0% of GDP in 2020 (2019: 3.3% of GDP).

Headline inflation is forecasted to average within the range of -1.5 to 0.5% (2019: 0.7%). The downward pressure on inflation predominantly reflects the expectation of significantly lower global oil and commodity prices. The trajectory of headline inflation is contingent upon the developments surrounding global commodity prices, particularly global oil prices, which remain highly uncertain. Without the direct downward impact from lower global oil prices, underlying inflation, as measured by core inflation, is projected to remain positive, averaging between 0.8 – 1.3%. This is amid subdued demand pressures and reflects the negative output gap that is expected this year. In addition, labour market conditions are expected to be weaker in 2020.

(Source: Bank Negara Malaysia, Economic and Monetary Review 2019)

4.2 Industry outlook

In 2019, the services sector expanded by 6.1% (2018: 6.8%), as growth normalised following a robust performance in 2018, when the tax holiday period encouraged greater consumer spending. The transport and storage subsector benefitted from higher transshipment activity, despite being partially offset by slower global trade activity.

(Source: Bank Negara Malaysia, Economic and Monetary Review 2019)

As a trading nation, the efficiency of the transport and logistics industry is vital in Malaysia's aspiration to attain higher productivity and faster economic growth through better connectivity. However, Malaysia's performance in the logistics industry has deteriorated, as indicated by the decline in the ranking of the Logistics Performance Index (LPI) (World Bank, 2018). According to the LPI, Malaysia's ranking fell to 41st in 2018 from 32nd in 2016. The main reasons for the decline include inefficiency of customs clearance, lack of quality in the trade and transport-related infrastructure as well as low ability in tracking and tracing consignments.

(Source: Ministry of Finance, Economic Outlook 2020)

According to Knight Frank Malaysia, the current Movement Control Order (MCO) imposed on the country to stem the spread of the outbreak will incentivise many late adopters of e-commerce to try out online shopping while the disruptions to the supply chain may give rise to potential decentralisation of logistics players into multiple smaller satellite distribution hubs to support local distribution channels.

This will further accelerate the growth of last mile delivery fulfilment centres and logistics services. Given the above, the industrial property market outlook may be bright with additional demand for warehouse space and factories arising from the decentralisation strategies.

(Source: "Logistics outlook bright amid COVID-19 crisis", EdgeProp News, 1 April 2020)

Notwithstanding, ports and logistics companies in Malaysia are feeling the impact of COVID-19 from the effects of quarantine measures imposed by governments of a number of countries, which has disrupted the ability of workers and operations of companies.

4.3 Future prospects of CJKX Group

Our Board believes that after the Proposed Acquisition, the CJKX Group's operations will be integrated into the CJ Century Group to become a leading logistics player in Malaysia. For further details on the future prospects of the CJ Century Group after the Proposed Acquisition, please refer to **Section 3.1** of Part A of this Circular.

Our Company expects to retain the current senior management personnel and employees of CJKX Group after the Proposed Acquisition to ensure smooth continuity of business and operations. Changes with regard to staff job scope may take place as a result of any rationalisation and/or streamlining of businesses of the CJKX Group. Consequently, we may implement the necessary changes to the corporate structure of the CJKX Group.

Our Company intends to continue with CJKX Group's existing business and operations for the foreseeable future. If the need arises, we will review the existing business and operations of the CJKX Group in order to remain competitive within the industry and improve the CJKX Group's prospects for future growth.

As at the LPD, our Company has no knowledge or has not entered into any negotiations or arrangements or understanding with any third party with regard to any significant change in the businesses and shareholding structure of the CJKX Group within the next twelve (12) months from the completion date of the Proposed Acquisition.

Premised on the above and notwithstanding the current outlook of the industry due to the coronavirus outbreak as set out in **Section 4.2** of Part A of this Circular, our Board believes that the CJKX Group will continue to sustain its financial performance and is optimistic that the prospects of the CJKX Group going forward remains positive.

5. RISK FACTORS IN RELATION TO THE PROPOSALS

Save for the risk factors (which are not exhaustive) as disclosed below, our Board does not foresee any material risks pursuant to the Proposals.

5.1 Non-completion risk

The completion of the Proposed Acquisition is subject to fulfilment of the Conditions Precedent, some of which are beyond the control of our Company. In the event any of these Conditions Precedent is not fulfilled or waived, the SSPA shall lapse and hence, our Company will not be able to complete the Proposed Acquisition. Notwithstanding the above, our Board and management shall use their best endeavours to ensure every effort is taken to obtain all necessary approvals to ensure that the Conditions Precedent are fulfilled by the stipulated date.

5.2 Business risk

The CJKX Group is involved in the provision of total logistics services. Therefore, the performance of the CJKX Group is subject to risks inherent in the logistics industry which is similar to that of CJ Century. Such risks include, amongst others, the ability to renew or procure contracts with existing and potential customers on similar or satisfactory terms that are acceptable to CJKX Group or at all, and the ability to maintain profitable operating margins, all of which are no different from that which our Company is also subject to. Although these risks can be mitigated by, amongst others, prudent financial policy and risk management, no assurance can be given that any such non-renewal or change to these factors will not have material adverse effect on the business of the CJKX Group after the Proposed Acquisition.

Approximately 50% of CJKX's total revenue is derived from the contribution of four (4) of its key customers. Notwithstanding, there is no assurance that the performance of the CJKX Group will not be adversely affected by any changes to the business environment of any of its customers. Nevertheless, these risks can be limited through, amongst others, expansion of the customer base of CJKX Group, thus reducing CJKX's dependency upon its existing group of customers. Other than ensuring that all terms and conditions of the existing and new contracts are met, CJKX Group also endeavours to maintain a close relationship with its customers to ensure that contractual issues, if any, can be resolved promptly.

5.3 Acquisition risk

The Proposed Acquisition is being undertaken with a view to provide us with an additional and recurring stream of income. However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that our Group will be able to generate sufficient profits from the Proposed Acquisition to offset the associated acquisition costs incurred. There is also no assurance that the CJKX Group is able to achieve the standards of quality and services of the business of our Group after the Proposed Acquisition.

However, our Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition and believes that the Proposed Acquisition will be value accretive to the enlarged Group in the medium to long-term.

5.4 Integration risk

The Proposed Acquisition is also exposed to the business integration risks and the risks of not being able to fully realise the expected business synergies with our Group. Upon completion of the Proposed Acquisition, we will undertake the necessary efforts to mitigate the various risks and ensure that a proper integration exercise and management structure be put in place to ensure successful integration. However, no assurance can be given that any integration efforts will not have a material adverse effect on the enlarged CJ Century Group or the CJKX Group's business performance and prospects.

5.5 Dependence on key management of CJKX Group

The performance and success of the CJKX Group depends to a significant extent on the skills, abilities, experience and competencies of its directors and key management personnel who are directly responsible for the day-to-day management and operations of CJKX Group. There can be no assurance that the loss of any of these persons without suitable and timely replacement would not affect the operations and financial performance of the CJKX Group's businesses.

In order to mitigate this risk, our Group has in place an effective human resource management and development programme for our employees which seeks to attract and retain qualified and competent staff through competitive remuneration packages, training and professional development. Nonetheless, there can be no assurance that

we will be able to recruit, develop and retain adequate number of skilled and motivated employees for CJKX Group upon completion of the Proposed Acquisition.

5.6 Impairment risk

We will recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of the assets and liabilities as at the completion of the Proposed Acquisition. Any fair value adjustments allocated to the identifiable assets and liabilities, and the effect of amortisations of the fair value adjustments (including the amortisation of the intangible assets identified), if any, from the Proposed Acquisition may adversely affect our financial position.

5.7 General economic, political and regulatory conditions

Like all other business entities, adverse developments in political, economic, regulatory and social conditions in Malaysia or overseas, directly or indirectly, could materially and adversely affect the financial prospects of the CJKX Group. Amongst the political, economic and regulatory uncertainties are changes in the risks of economic downturn, unfavourable monetary and fiscal policy changes, exchange control regulations or introduction of new rules and regulation, changes in interest rates, inflation and taxation and political leadership. In mitigating such risk, we will continue to review the business development strategies of the CJKX Group in response to the changes in political, economic and regulatory conditions. However, there is no assurance that any changes to the general economic, political and regulatory conditions will not have a material adverse effect on the results of operations and financial condition of the CJKX Group.

5.8 Risk of dilution to minority shareholders' interests and the increased influence of our Major Shareholder in our Company

The direct interest of CJ Asia, being the Major Shareholder of our Company, will increase from 30.89% as at the LPD, to 54.31% upon completion of the Proposed Acquisition, with a corresponding dilution to the equity interest of other shareholders in the Company. As a result, they will be able to exercise influence over the election of our Directors and the approval of any corporate proposals or transactions requiring the approval of our shareholders, unless they are required to abstain from voting either by law and by relevant guidelines or regulations.

5.9 CJKX Group's operations may be affected by the coronavirus (COVID-19) outbreak

The outbreak of COVID-19 across the world has brought about uncertainty to the economies of the countries which have been affected. The Malaysian Government has imposed a nation-wide restriction on movements through the Movement Control Order ("MCO") pursuant to the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967. The MCO is effective from 18 March 2020 to 31 March 2020 and has been subsequently further extended to 12 May 2020. There is no assurance that there will not be any direct or indirect impact on the CJKX Group's operations as a result of any outbreak, exacerbation, continuance or recurrence of COVID-19 or as a result of the implementation of or the restrictions imposed by the MCO. Furthermore, if any of their group of employees are affected and are unable to duly execute their duties in providing any of their Group's services, this may have a material adverse impact on the CJKX Group's operations and financial performance. Further, if any of their group of customers and/or suppliers are affected by COVID-19 or the MCO to the extent the logistics chain of their Group is disrupted, this may affect the CJKX Group's ability to meet the demands of their customers and therefore have a material adverse effect on the CJKX Group's operations and financial performance.

6. EFFECTS OF THE PROPOSALS

The Proposed Exemption will not have any effect on the issued share capital, substantial shareholders' shareholdings, public shareholding spread of our Company and NA, gearing and earnings of our Group.

The proforma effects of the Proposed Acquisition on the issued share capital, substantial shareholders' shareholdings, NA, gearing and earnings are set out below:

6.1 Issued share capital

The proforma effects of the Proposed Acquisition on our issued share capital are as follows:

	No. of CJ Century Shares	RM'000
Issued share capital as at the LPD	394,229,890	200,043
Consideration Shares to be issued pursuant to the Proposed Acquisition	200,000,000	100,000
Enlarged issued share capital after the Proposed Acquisition	594,229,890	300,043

6.2 Shareholdings of substantial shareholders

The proforma effects of the Proposed Acquisition on the substantial shareholders' shareholdings as at the LPD are set out below:

Substantial Shareholders	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of CJ Century Shares	%(¹)	No. of CJ Century Shares	%(¹)	No. of CJ Century Shares	%(²)	No. of CJ Century Shares	%(²)
CJ Asia	120,544,236	30.89	-	-	320,544,236	54.31	-	-
Teow Choo Hing	45,889,394	11.76	2,224,416 ⁽³⁾	0.57	45,889,394	7.77	2,224,416 ⁽³⁾	0.38

Notes:

- (1) Calculated based on 390,260,990 CJ Century Shares, excluding treasury shares.
- (2) Calculated based on the enlarged share capital of 590,260,990 CJ Century Shares, excluding treasury shares.
- (3) By virtue of his deemed interest through his wife in accordance with Section 8 of the Act.

(The rest of this page has been intentionally left blank)

6.3 NA and gearing

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the consolidated NA and gearing of our Company based on our audited consolidated statement of financial position as at 31 December 2019 and assuming that the Proposed Acquisition had been effected on that date, are set out below:

	Audited as at 31 December 2019 (RM'000)	After the Proposed Acquisition (RM'000)
Issued capital	200,043	300,043
Treasury shares	(2,506)	(2,506)
Reserves	118,327	⁽⁵⁾ 117,377
Equity attributable to owners of the Company/ NA	315,864	414,914
Non-controlling interests	929	929
Total Equity	316,793	415,843
No. of ordinary shares in issue ⁽¹⁾ ('000)	390,261	590,261
NA per share ⁽²⁾ (sen)	81	70
Total borrowings ⁽³⁾ (RM'000)	191,586	⁽⁶⁾ 196,833
Gearing ⁽⁴⁾ (times)	0.61	0.47

Notes:

- (1) Excluding treasury shares.
- (2) Computed based on NA divided by number of ordinary shares in issue, excluding treasury shares.
- (3) Comprising the Group's borrowings, including hire-purchase payables.
- (4) Computed based on total borrowings divided by NA.
- (5) After deducting the estimated expenses relating to the Proposals amounting to approximately RM0.95 million.
- (6) After consolidation of the total borrowings of the CJKX Group based on its unaudited financial results for the FYE 31 December 2019.

(The rest of this page has been intentionally left blank)

6.4 Earnings and EPS

Upon completion of the Proposed Acquisition, our Company will consolidate the earnings of CJKX Group. For illustrative purposes, the proforma effects of the Proposed Acquisition on the earnings of our Group based on our audited consolidated financial statements for the FYE 31 December 2019 assuming the Proposed Acquisition had been completed on 1 January 2019, are set out below:

	Audited as at 31 December 2019 (RM'000)	After the Proposed Acquisition (RM'000)
(Loss)/Profit attributable to owners of our Company	(7,531)	⁽¹⁾ 5,678
Weighted average no. of ordinary shares ('000)	390,261	590,261
(LPS)/EPS (sen)	(1.93)	0.96

Note:

(1) After (i) consolidating the PAT of the CJKX Group of RM8.937 million based on their unaudited financial statements for the FYE 31 December 2019 and adjusting for the reduction in royalty, management and IT service fees payable by CJKX to CJ Asia from RM5.980 million to approximately RM0.758 million per annum after the Proposed Acquisition. It is the intention of CJ Asia to reduce these charges post-acquisition to IT service fee only amounting to approximately RM0.758 million per annum, as documented by way of a letter of comfort dated 31 January 2020 provided by CJ Asia to CJ Century; and (ii) deducting the estimated expenses relating to the Proposals amounting to approximately RM0.95 million.

6.5 Convertible securities

As at the LPD, our Company does not have any existing convertible securities.

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals:

- (i) the Non-Interested Shareholders of CJ Century at the forthcoming EGM to be convened;
- (ii) the SC for the Proposed Exemption; and
- (iii) the approval/consent of government agencies and financiers for the transfer of Sale Shares by CJ Asia to CJ Century, where required.

Bursa Securities had, vide its letter dated 13 March 2020, approved the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, subject to the following conditions:

Conditions	Status of compliance
(i) CJ Century and CIMB must fully comply with the relevant provisions under the Listing Requirements at all times pertaining to the implementation of the Proposed Acquisition.	Noted.
(ii) CJ Century and CIMB to inform Bursa Securities upon completion of the Proposed Acquisition.	To be complied.

Conditions		Status of compliance
(iii)	CJ Century to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed.	To be complied.
(iv)	CJ Century to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the extraordinary general meeting for the Proposed Acquisition.	To be complied.

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisition is approximately 66.4%, based on the Purchase Consideration divided by the market value of the total issued shares of CJ Century, determined based on five (5)-day VWAP up to the LTD, excluding treasury shares.

8. **INTER-CONDITIONALITY AND OUTSTANDING CORPORATE EXERCISE WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED**

The Proposed Acquisition and the Proposed Exemption are inter-conditional upon each other. Save as disclosed above, the Proposals are not conditional or inter-conditional upon any other corporate exercise of our Company.

Save for the Proposals, there is no other corporate exercise which has been announced by our Company but not yet completed as at the date of this Circular.

9. **INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Save as disclosed below, as at the LPD, none of our Directors and/or major shareholders or persons connected to them has any interest, direct or indirect, in the Proposals:

- (i) CJ Asia, being a Major Shareholder of our Company, wholly owns CJKX;
- (ii) Hong Sung Yong, being our Non-Independent Non-Executive Director, is a representative of CJ Asia on our Board;
- (iii) Ahn Jae Ho, being our Non-Independent Non-Executive Director, is a representative of CJ Asia on our Board;
- (iv) Lee Eui Sung, being our Non-Independent Non-Executive Director, is a representative of CJ Asia on our Board; and
- (v) Park Chul Moon, being our Non-Independent Non-Executive Director, is a representative of CJ Asia on our Board.

(Hong Sung Yong, Ahn Jae Ho, Lee Eui Sung and Park Chul Moon are collectively referred to as "**Interested Directors**", while CJ Asia is referred to as "**Interested Major Shareholder**").

As at the LPD, the shareholdings of the Interested Directors and Interested Major Shareholder in our Company are as set out below:

Director and/or Major Shareholder	As at the LPD			
	Direct		Indirect	
	No. of CJ Century Shares	% ⁽¹⁾	No. of CJ Century Shares	% ⁽¹⁾
Interested Directors				
Hong Sung Yong	-	-	-	-
Ahn Jae Ho	-	-	-	-
Lee Eui Sung	-	-	500,000 ⁽²⁾	0.128
Park Chul Moon	-	-	-	-
Interested Major Shareholder				
CJ Asia	120,544,236	30.89	-	-

Notes:

(1) Calculated based on 390,260,990 CJ Century Shares, excluding treasury shares.

(2) By virtue of his deemed interest through his wife in accordance with Section 8 of the Act.

The Proposed Acquisition is deemed a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholder of our Company.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of the Proposals at the relevant meetings of our Board. The Interested Directors and Interested Major Shareholder will also abstain and have undertaken to ensure that persons connected to them will also abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the ordinary resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

10. TRANSACTIONS WITH THE INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDER AS WELL AS PERSONS CONNECTED TO THEM FOR THE PAST TWELVE (12) MONTHS

Save for the Proposed Acquisition and recurrent related party transactions which are not subject to disclosure and/or shareholders' approval under the Listing Requirements, there were no transactions entered into between our Group with the Interested Directors and/or Interested Major Shareholder as well as persons connected to them during the twelve (12) months preceding the LPD.

11. AUDIT COMMITTEE'S STATEMENT

Our Audit Committee of CJ Century, after taking into consideration all aspects of the Proposals (including but not limited to the basis of the Purchase Consideration, rationale, prospects and financial effects) as well as the evaluation of the Independent Adviser on the Proposals, is of the opinion that the Proposals are:

- (i) in the best interest of CJ Century;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the Non-Interested Shareholders.

12. DIRECTORS' RECOMMENDATION

Our Board (save for the Interested Directors), after taking into consideration of all aspects of the Proposals (including but not limited to the basis of the Purchase Consideration, rationale, prospects and financial effects) as well as the evaluation of the Independent Adviser on the Proposals, is of the opinion that the Proposals are:

- (i) in the best interest of CJ Century;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the Non-Interested Shareholders.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, the Proposals are expected to be completed by the second quarter of 2020. The tentative timetable for the implementation of the Proposals is set out below:

Event	Tentative timing
EGM to obtain the approval of our shareholders	28 May 2020
Fulfilment of the Conditions Precedent in respect to the SSPA	Early-June 2020
Completion of the Proposals	End-June 2020
Listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities	End-June 2020

14. EGM

In light of the COVID-19 pandemic and the ensuing enforcement of the Movement Control Order in Malaysia, our Board has decided that the EGM for the Proposals shall be held on a fully virtual basis via remote participation through live stream and online voting (“**eLive and eVoting**”). Please refer to the Administrative Guide issued to all shareholders of CJ Century on the conduct of a fully virtual EGM.

The EGM, notice of which is enclosed in this Circular, will be held at the Broadcast Venue: **The Conference Room, No. 12, Persiaran Astana / KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan, Malaysia on Thursday, 28 May 2020 at 11:00 a.m.** or immediately after the conclusion or adjournment (as the case may be) of the Postponed Twenty-Third Annual General Meeting of CJ Century to be held at the same broadcast venue on the same day at 10:00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modification, the ordinary resolutions so as to give effect to the Proposals.

If you are not able to participate and vote at the EGM via eLive and eVoting, you may complete the enclosed Form of Proxy in accordance with the instructions provided therein and deposit it at the Registered Office of CJ Century at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia or submit it via fax at 03-2094 9940 and/or 03-2095 0292 or e-mail to info@sshshb.com.my, on or before 11:00 a.m. on Tuesday, 26 May 2020, being not less than forty-eight (48) hours before the time fixed for holding the EGM. Your proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshshb.net.my/login.aspx>. If you have submitted the Form of Proxy appointing person(s) as your proxy(ies), the proxy appointment can be revoked by emailing eservices@sshshb.com.my should you decide to

personally participate at the EGM via eLive and eVoting, provided that you also register for the EGM by the registration cut-off date and time. Please refer to the Administrative Guide on the Conduct of a Fully Virtual General Meeting for further details.

15. FURTHER INFORMATION

You are advised to refer to the appendices of this Circular for further information.

Yours faithfully
For and on behalf of the Board of
CJ CENTURY LOGISTICS HOLDINGS BERHAD

DATUK LEE SAY TSHIN
Independent Non-Executive Chairman

PART B

**INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES
TO THE NON-INTERESTED SHAREHOLDERS OF CJ CENTURY
IN RELATION TO THE PROPOSALS**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposals.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to the shareholders of the Company in relation to the Proposals in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposals.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 12 February 2020, CJ Century had entered into the SSPA with CJ Asia in relation to the Proposed Acquisition. The purchase consideration of RM100,000,000 in respect of the Proposed Acquisition shall be satisfied via the issuance of 200,000,000 new CJ Century Shares to CJ Asia at an issue price of RM0.50 per CJ Century Share.

In view of the interest of CJ Asia (*a Major Shareholder of CJ Century*) and persons connected with it in the Proposed Acquisition (*see Section 9, Part A of the Circular for their interests and course of actions in relation to the Proposed Acquisition*), the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Further, upon completion of the Proposed Acquisition, CJ Asia's equity interest in CJ Century will increase from approximately 30.89% as at the LPD to approximately 54.31%. As a consequence, CJ Asia will be obliged to undertake the Mandatory Offer upon the SSPA becoming unconditional pursuant to Section 218 of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules. As CJ Asia has no intention of undertaking the Mandatory Offer, CJ Asia intends to seek an exemption pursuant to Paragraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer.

The Proposed Acquisition and the Proposed Exemption are inter-conditional upon each other. Further details of the Proposals are set out in Section 2, Part A of the Circular.

In view of the above, CJ Century had on 12 February 2020 formally appointed Mercury Securities as the Independent Adviser to advise the Non-Interested Directors and Non-Interested Shareholders in respect of the Proposed Acquisition (*pursuant to Paragraph 10.08(2) of the Listing Requirements*) and the Proposed Exemption (*pursuant to the requirements of the Rules*). Mercury Securities subsequently declared its independence from any conflict of interest or potential conflict of interest to the SC in relation to its role as the Independent Adviser for the Proposed Exemption.

Pursuant to Paragraph 4.08(3)(g) of the Rules, the SC has on 18 March 2020 notified that it has no further comments to the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

The purpose of this IAL is to provide the Non-Interested Shareholders with an independent evaluation on the Proposals together with our recommendation on whether the Non-Interested Shareholders should vote in favour of the Proposals.

Please refer to Section 1 of this IAL for further details.

2. EVALUATION OF THE PROPOSALS

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals on a holistic basis in accordance with Schedule 2: Part III of the Rules.

Reference in IAL / Consideration factors	Our evaluation
<p><u>Section 3.1</u> Rationale for the Proposals</p>	<p><u>Proposed Acquisition</u></p> <p>Similar to the CJ Century Group, the CJKX Group is an integrated logistics service provider, providing amongst others, sea freight, container haulage, air freight, freight forwarding and warehousing services and hence, the CJKX Group is a strategic fit to the CJ Century Group.</p> <p>The Proposed Acquisition is mutually beneficial to CJ Century and CJ Asia whereby:-</p> <ul style="list-style-type: none"> (i) the Proposed Acquisition provides an opportunity for CJ Century to acquire a profitable complementary business in the logistics industry; and (ii) the streamlining of logistics business of the CJKX Group under CJ Century is in line with the strategic business direction of CJ Asia. <p>Further, upon completion of the Proposed Acquisition, the enlarged CJ Century Group is expected to benefit from the potential synergies via greater economies of scale arising from the consolidation of operations, optimisation of resource utilisation and sharing of assets and management capabilities in view of (i) the larger network and client base of the enlarged CJ Century Group in the logistics industry, (ii) pooling of resources to improve operational efficiency and enhance operational synergies between the CJ Century Group and the CJKX Group and (iii) considerable scale of operations of the CJKX Group.</p> <p>In addition, as the CJKX Group will form part of the enlarged CJ Century Group upon completion of the Proposed Acquisition, this will also eliminate any potential conflict of interests and competition between the CJ Century Group and the CJKX Group within the same market segment in the future.</p> <p>The Proposed Acquisition is expected to contribute positively to the financial performance of the CJ Century Group in view of the CJKX Group's historical financial performance (see Section 5, Appendix I of the Circular for further details) as well as the potential synergistic benefits of the Proposed Acquisition to be realised. An illustration of the pro forma effects of the Proposed Acquisition on the earnings and EPS of CJ Century is set out in Section 6.4, Part A of the Circular.</p> <p><u>Proposed Exemption</u></p> <p>Pursuant to the issuance of Consideration Shares to CJ Asia upon completion of the Proposed Acquisition, CJ Asia's equity interest in CJ Century will increase from approximately 30.89% as at the LPD to approximately 54.31%. As a consequence, CJ Asia will be obliged to undertake the Mandatory Offer upon the SSPA becoming unconditional pursuant to Section 218 of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules. As CJ Asia has no intention of undertaking the Mandatory Offer, CJ Asia intends to seek an exemption pursuant to Paragraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer.</p>

Reference in IAL / Consideration factors	Our evaluation
	<p>Further, as the Proposed Acquisition and the Proposed Exemption are inter-conditional upon each other, without the Proposed Exemption, the Proposed Acquisition will not proceed. Accordingly, CJ Century will not be able to realise the potential benefits arising from the Proposed Acquisition as detailed in Section 8 of this IAL.</p>
<p>Section 3.2 Basis and justification for the Purchase Consideration and the issue price of the Consideration Shares ("Issue Price")</p>	<ul style="list-style-type: none"> • <u>Evaluation of the Purchase Consideration</u> <p>In evaluating the Purchase Consideration, we have conducted a valuation on the CJKX Group, which is an integrated logistics service provider.</p> <p>Given the constant demand for logistics services arising from trade activities, the stream of future cash flows to be derived by the CJKX Group from its logistics business is expected to be predictable, taking into consideration the industry and business outlook over a longer term. In addition, all the land and buildings of the CJKX Group are used for the purposes of generating income and cash flows in its business operations.</p> <p>In view of the above, we have adopted the discounted cash flows ("DCF") valuation model as our sole valuation method in arriving at the value of the CJKX Group. We view the DCF valuation model as the most appropriate method to estimate the value of the CJKX Group as the method is able to effectively factor in the earnings and cash flows potential of the CJKX Group's business as well as the timing of such cash flows to be generated.</p> <p>Based on the DCF valuation model, we have derived a range of estimated value for the CJKX Group of between RM106.45 million and RM112.90 million, representing a premium of 6.45% to 12.90% to the Purchase Consideration.</p> <p>Accordingly, we view that the Purchase Consideration is fair and reasonable.</p> • <u>Evaluation of the Issue Price</u> <p>Notwithstanding that the issuance of Consideration Shares to CJ Asia (i) will result in a dilution in the percentage shareholdings of the Non-Interested Shareholders in CJ Century (<i>from approximately 69.11% to approximately 45.69%</i>) and (ii) is at a discount of RM0.31 (38.27%) to the audited consolidated NA per CJ Century Share as at 31 December 2019 and hence, as illustrated in Section 6.3, Part A of the Circular, the pro forma consolidated NA per Century Share will be diluted from RM0.81 (<i>as at 31 December 2019</i>) to RM0.70 (<i>upon completion of the Proposed Acquisition</i>), the Non-Interested Shareholders should also note that:-</p> <ul style="list-style-type: none"> (i) majority of the Group's assets comprise property, plant and equipment including warehouses and fleet of vehicles, of which there is no assurance that these assets can be realised at their full values due to various factors such as the existence of ready and committed buyer(s) who is willing to pay the full value of each asset as well as the payment of incidental costs related to such sale transactions; and (ii) based on the illustration set out in Section 6.4, Part A of the Circular, the Proposed Acquisition is earnings accretive.

Reference in IAL / Consideration factors	Our evaluation
	<p>Further, as a comparison to the historical market prices of the CJ Century Shares (<i>being prices at which any willing buyers and willing sellers may transact the CJ Century Shares in the open market</i>), the Issue Price:-</p> <ul style="list-style-type: none"> (i) is higher than the daily VWAPs of the CJ Century Shares for almost all market days (<i>save for 4 market days in February 2019</i>), representing approximately 98.7% of the total market days (<i>with trading volume</i>) for the past 12 months prior to the LTD and up to the LPD; (ii) represents a premium of RM0.1150 (29.87%) over the last traded market price of the CJ Century Shares on the LTD and a premium of between RM0.0615 (14.03%) and RM0.1215 (32.10%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the CJ Century Shares up to the LTD; and (iii) represents a premium of RM0.2150 (75.44%) over the last traded market price of the CJ Century Shares on the LPD and a premium of RM0.2125 (73.91%) over the 5-day VWAP of the CJ Century Shares up to the LPD. <p>In addition to the above, the benefits and advantages for the satisfaction of the entire Purchase Consideration via the issuance of Consideration Shares are as follows:-</p> <ul style="list-style-type: none"> (i) the satisfaction of the entire Purchase Consideration via the issuance of Consideration Shares allows CJ Century to consider the Proposed Acquisition whilst conserving its cash reserves (<i>which stand at approximately RM62.90 million (excluding cash held on behalf of customers) as at 31 December 2019</i>) and without relying on additional borrowings and/or equity fund raising; (ii) as set out in Section 6.3, Part A of the Circular, the issuance of Consideration Shares will strengthen the CJ Century Group's financial position, with an increase in consolidated NA of close to RM100.00 million as well as a decrease in its gearing from 0.61 times (<i>as at 31 December 2019</i>) to 0.47 times (<i>upon completion of the Proposed Acquisition</i>); and (iii) in addition, the issuance of Consideration Shares provides an opportunity to CJ Asia to participate further in the potential future growth of the enlarged CJ Century Group as its shareholder, having common interests to contribute towards the improvement of the enlarged CJ Century Group's financial performance. The increased participation of CJ Asia in CJ Century reaffirms its commitment to the enlarged CJ Century Group and that it is not their intention to monetise their investments in the CJKX Group. <p>Based on our evaluation on a holistic basis, we view the issuance of the Consideration Shares at the Issue Price as fair and reasonable and not detrimental to the interests of the Non-Interested Shareholders.</p>
<p>Section 3.3 Salient terms of the SSPA</p>	<p>The salient terms of the SSPA are fair and reasonable and are not detrimental to the interests of the Non-Interested Shareholders.</p>

EXECUTIVE SUMMARY (cont'd)

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.4 Effects of the Proposals</p>	<p>The pro forma effects of the Proposed Acquisition (see Section 6, Part A of the Circular and Section 3.4 of this IAL for further details) are as follows:-</p> <ul style="list-style-type: none"> (i) the issued share capital of CJ Century will increase by RM100.00 million due to the issuance of 200,000,000 Consideration Shares at the Issue Price of RM0.50; (ii) the direct interest of CJ Asia in CJ Century will increase from 30.89% as at the LPD to 54.31% upon completion of the Proposed Acquisition, with a corresponding dilution to the equity interest of other shareholders in the Company; (iii) the Proposed Acquisition is expected to contribute positively to the earnings and EPS of CJ Century in view of the CJKX Group's historical financial performance as well as the potential synergistic benefits of the Proposed Acquisition to be realised. <p>Based on the illustration set out in Section 6.4, Part A of the Circular, assuming the Proposed Acquisition had been completed on 1 January 2019, the Proposed Acquisition will improve the financial performance of the CJ Century Group from a loss after tax and minority interest for the FYE 31 December 2019 of RM7.53 million (<i>LPS: 1.93 sen</i>) to a profit after tax and minority interest of RM5.68 million (<i>EPS: 0.96 sen</i>);</p> <ul style="list-style-type: none"> (iv) the consolidated NA per CJ Century Share will decrease by RM0.11 from RM0.81 (as at 31 December 2019) to RM0.70 (upon completion of the Proposed Acquisition), attributable to the dilutive impact from the issuance of 200,000,000 Consideration Shares at the Issue Price of RM0.50 (which represents a discount of 38.27% to the audited consolidated NA per CJ Century Share as at 31 December 2019) and estimated expenses relating to the Proposals of approximately RM0.95 million; and (v) the gearing of CJ Century Group will decrease from 0.61 times (as at 31 December 2019) to 0.47 times (upon completion of the Proposed Acquisition) due to the enlarged NA base of CJ Century Group resulting from the issuance of Consideration Shares. <p>The Proposed Exemption (on a standalone basis) will not have any effect on the issued share capital, substantial shareholders' shareholdings in CJ Century, earnings and EPS as well as NA and gearing of the CJ Century Group.</p> <p>Based on the above, the overall effects of the Proposals are not detrimental to the interests of the Non-Interested Shareholders.</p>
<p>Section 3.5 Prospects of the enlarged CJ Century Group</p>	<p>In view of the longer term outlook of the logistics industry in Malaysia which is expected to be supported and driven by the Government's commitment and initiatives in upgrading logistics infrastructure and facilities in Malaysia as well as robust manufacturing and trade activities in Malaysia and taking into consideration, amongst others, the historical financial performance of the CJKX Group and the potential synergies to be realised pursuant to the Proposed Acquisition, we view the longer term prospects of the enlarged CJ Century Group to be favourable.</p>

EXECUTIVE SUMMARY (cont'd)

Reference in IAL / Consideration factors	Our evaluation
<u>Section 3.6</u> Risk factors in relation to the Proposed Acquisition	<p>The risk factors in relation to the Proposed Acquisition are set out in Section 5, Part A of the Circular.</p> <p>In view that both CJ Century Group and CJKX Group are principally involved in the logistics business, the business risk profile of CJ Century (<i>which includes any potential implication from the coronavirus (COVID-19) outbreak</i>) will not change significantly upon completion of the Proposed Acquisition.</p> <p>Nonetheless, we wish to highlight some of the risk factors in relation to the Proposed Acquisition to the Non-Interested Shareholders, being (i) CJKX's reliance on key customers, (ii) non-realisation of anticipated benefits and expected business synergies arising from the Proposed Acquisition, (iii) impairment of goodwill arising from the Proposed Acquisition and (iv) risk of dilution to minority shareholders' interest and the increased influence of CJ Asia in the Company.</p> <p>As CJ Asia will remain a key decision maker in the financial and operating policies in the running of both CJ Century Group and CJKX Group after the Proposed Acquisition, such risk factors shall be minimised. Further, the increased equity participation of CJ Asia in CJ Century (<i>as a controlling shareholder of CJ Century</i>) reaffirms its commitment towards the CJ Century Group's success.</p>
<u>Section 3.7</u> Implications arising from the voting outcome of the Proposed Exemption	<p>If you vote in favour of the Proposed Exemption, the SC would be able to consider the application by CJ Asia for the Proposed Exemption.</p> <p>Should you vote against the Proposed Exemption, CJ Century will not be able to undertake the Proposed Acquisition in view of the inter-conditionality between the Proposed Acquisition and the Proposed Exemption. Accordingly, CJ Century will not be able to realise the potential benefits arising from the Proposed Acquisition as detailed in Section 8 of this IAL.</p>

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals holistically in accordance with Schedule 2: Part III of the Rules, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of the Company in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolutions to give effect to the Proposals at the forthcoming EGM of the Company.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

EXECUTIVE SUMMARY (cont'd)

The Proposed Exemption (if granted) will allow CJ Century to undertake the Proposed Acquisition (if it is also approved by the Non-Interested Shareholders). Accordingly, the potential advantages and disadvantages of the Proposals are as follows:-

Potential advantages	
(i)	<p>The Proposed Acquisition provides an opportunity for CJ Century to acquire a profitable complementary business in the logistics industry.</p> <p>Further, upon completion of the Proposed Acquisition, the enlarged CJ Century Group is expected to benefit from the potential synergies via greater economies of scale arising from the consolidation of operations, optimisation of resource utilisation and sharing of assets and management capabilities in view of (i) larger network and client base of the enlarged CJ Century Group in the logistics industry, (ii) pooling of resources to improve operational efficiency and enhance operational synergies between the CJ Century Group and the CJKX Group and (iii) considerable scale of operations of the CJKX Group.</p> <p>In addition, the Proposed Acquisition will also eliminate any potential conflict of interests and competition between the CJ Century Group and the CJKX Group within the same market segment in the future.</p>
(ii)	<p>The range of estimated value for the CJKX Group derived based on the DCF valuation model of between RM106.45 million and RM112.90 million represents a premium of 6.45% to 12.90% to the Purchase Consideration.</p>
(iii)	<p>The satisfaction of the entire Purchase Consideration via the issuance of Consideration Shares allows CJ Century to consider the Proposed Acquisition whilst conserving its cash reserves and without relying on additional borrowings and/or equity fund raising.</p> <p>Further, the Issue Price:-</p> <p>(a) is higher than the daily VWAPs of the CJ Century Shares for almost all market days (save for 4 market days in February 2019), representing approximately 98.7% of the total market days (with trading volume) for the past 12 months prior to the LTD and up to the LPD;</p> <p>(b) represents a premium of RM0.1150 (29.87%) over the last traded market price of the CJ Century Shares on the LTD and a premium of between RM0.0615 (14.03%) and RM0.1215 (32.10%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the CJ Century Shares up to the LTD; and</p> <p>(c) represents a premium of RM0.2150 (75.44%) over the last traded market price of the CJ Century Shares on the LPD and a premium of RM0.2125 (73.91%) over the 5-day VWAP of the CJ Century Shares up to the LPD.</p> <p>In addition, the issuance of Consideration Shares will strengthen the CJ Century Group's financial position with:-</p> <p>(a) an increase in the consolidated NA of CJ Century from RM315.86 million (as at 31 December 2019) to RM414.91 million (upon completion of the Proposed Acquisition); and</p> <p>(b) a decrease in the gearing of CJ Century Group from 0.61 times (as at 31 December 2019) to 0.47 times (upon completion of the Proposed Acquisition).</p>
(iv)	<p>The increased participation of CJ Asia in CJ Century reaffirms its commitment to the enlarged CJ Century Group and that it is not their intention to monetise their investments in the CJKX Group.</p>
(v)	<p>The Proposed Acquisition is expected to contribute positively to the earnings and EPS of CJ Century in view of the CJKX Group's historical financial performance as well as the potential synergistic benefits of the Proposed Acquisition to be realised. As illustrated in Section 6.4, Part A of the Circular, the Proposed Acquisition will improve the financial performance of the CJ Century Group from a LPS of 1.93 sen for the FYE 31 December 2019 to an EPS of 0.96 sen upon completion of the Proposed Acquisition.</p>

Potential disadvantages

- (i) The Proposed Exemption will allow the shareholding of CJ Asia in CJ Century to increase from approximately 30.89% to approximately 54.31% upon completion of the Proposed Acquisition without being required to undertake the Mandatory Offer. On the other hand, the shareholdings held by the Non-Interested Shareholders in CJ Century will be diluted from approximately 69.11% to approximately 45.69%.
- With a shareholding of more than 50% in CJ Century upon completion of the Proposed Acquisition, any further increase in the shareholding of CJ Asia in CJ Century (*including through subsequent purchases of CJ Century Shares in the open market*) would not trigger an obligation for CJ Asia to undertake a mandatory take-over offer provided the shareholding of CJ Asia in CJ Century remains more than 50% at all times.
- Further, with the said shareholding in CJ Century, CJ Asia will have statutory control over CJ Century and unless it is required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, CJ Asia is able to (*through casting of their votes which represent approximately 54.31% of the total voting shares in CJ Century after the Proposed Acquisition*):-
- (a) vote through or vote down any ordinary resolutions (*as such resolutions only require approval from more than 50% of the total votes cast*); and
 - (b) vote down any special resolutions (*as such resolutions require approval from at least 75% of the total votes cast*).
- (ii) The Proposed Acquisition will result in a decrease in the consolidated NA per CJ Century Share from RM0.81 (*as at 31 December 2019*) to RM0.70 (*upon completion of the Proposed Acquisition*), attributable to the dilutive impact from the issuance of 200,000,000 Consideration Shares at the Issue Price of RM0.50 (*which represents a discount of 38.27% to the audited consolidated NA per CJ Century Share as at 31 December 2019*) and estimated expenses relating to the Proposals of approximately RM0.95 million.
- (iii) In view that the Issue Price of RM0.50 is lower than the consolidated NA per CJ Century Share of RM0.81 as at 31 December 2019, this would mean that CJ Asia will obtain statutory control over CJ Century at a price representing a discount of 38.27% to the consolidated NA per CJ Century Share.

Premised on the above and our evaluation of the Proposals on a holistic basis, we are of the view that, on the basis of the information available to us, the Proposals are **fair and reasonable** and are **not detrimental** to the interests of the Non-Interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the Proposals to be tabled at the forthcoming EGM of the Company.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

Headquarters:
Ground, 1st, 2nd and 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

6 May 2020

To: The Non-Interested Shareholders

Dear Sir / Madam,

CJ CENTURY LOGISTICS HOLDINGS BERHAD (“CJ CENTURY” OR THE “COMPANY”)

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS

This IAL is prepared for inclusion in the Circular to the shareholders of CJ Century. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposals.

1. INTRODUCTION

On 12 February 2020, CJ Century had entered into the SSPA with CJ Asia in relation to the Proposed Acquisition. The purchase consideration of RM100,000,000 in respect of the Proposed Acquisition shall be satisfied via the issuance of 200,000,000 new CJ Century Shares to CJ Asia at an issue price of RM0.50 per CJ Century Share.

In view of the interest of CJ Asia (*a Major Shareholder of CJ Century*) and persons connected with it in the Proposed Acquisition (*see Section 9, Part A of the Circular for their interests and course of actions in relation to the Proposed Acquisition*), the Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Further, upon completion of the Proposed Acquisition, CJ Asia’s equity interest in CJ Century will increase from approximately 30.89% as at the LPD to approximately 54.31%. As a consequence, CJ Asia will be obliged to undertake the Mandatory Offer upon the SSPA becoming unconditional pursuant to Section 218 of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules. As CJ Asia has no intention of undertaking the Mandatory Offer, CJ Asia intends to seek an exemption pursuant to Paragraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer.

The Proposed Acquisition and the Proposed Exemption are inter-conditional upon each other. Further details of the Proposals are set out in Section 2, Part A of the Circular.

In view of the above, CJ Century had on 12 February 2020 formally appointed Mercury Securities as the Independent Adviser to advise the Non-Interested Directors and Non-Interested Shareholders in respect of the Proposed Acquisition (*pursuant to Paragraph 10.08(2) of the Listing Requirements*) and the Proposed Exemption (*pursuant to the requirements of the Rules*). Mercury Securities subsequently declared its independence from any conflict of interest or potential conflict of interest to the SC in relation to its role as the Independent Adviser for the Proposed Exemption.

Pursuant to Paragraph 4.08(3)(g) of the Rules, the SC has on 18 March 2020 notified that it has no further comments to the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

Butterworth - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai. Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my
Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont’ Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my
Melaka - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898
Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118
Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

The purpose of this IAL is to provide the Non-Interested Shareholders with an independent evaluation on the Proposals together with our recommendation on whether the Non-Interested Shareholders should vote in favour of the Proposals.

Nonetheless, the Non-Interested Shareholders should rely on their own evaluation of the merits of the Proposals before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

This IAL is prepared solely for the use of the Non-Interested Shareholders to consider the Proposals and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO THE SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSALS

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements, the Best Practice Guide in relation to Independent Advice Letters ("**IAL Guide**") issued by Bursa Securities and Paragraph 3 of the Rules.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the Proposals as to whether the Proposals are fair and reasonable and whether they are detrimental to the interests of the Non-Interested Shareholders together with our recommendation on whether the Non-Interested Shareholders should vote in favour of the Proposals, based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) the SSPA;
- (iii) the audited consolidated financial statements of CJKX for the FYE 31 December 2016, 31 December 2017 and 31 December 2018 as well as the unaudited consolidated financial statements of CJKX for the FYE 31 December 2019;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the board of directors, management and/or representatives of the CJ Century Group, the CJKX Group and CJ Asia; and
- (v) other relevant publicly available information, including but not limited to the annual reports and audited consolidated financial statements of CJ Century.

We have relied on the directors, management and/or representatives of the CJ Century Group, the CJKX Group and CJ Asia to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Proposals are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and undertaking reasonableness check and corroborating such information with independent sources, where possible. We are satisfied that the information provided to us or which are available to us is sufficient and we have no reason to believe that the aforementioned information is unreasonable, unreliable, inaccurate, incomplete and/or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

We have evaluated the Proposals and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the Proposals and would be of general concern to the Non-Interested Shareholders.

Our evaluation as set out in this IAL is rendered solely for the benefit of the Non-Interested Shareholders as a whole and not for any specific group of Non-Interested Shareholders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual Non-Interested Shareholder or any specific group of Non-Interested Shareholders. We recommend that any individual Non-Interested Shareholder who is in doubt as to the action to be taken or requires advice in relation to the Proposals in the context of his individual investment objectives, financial situation, risk profile or particular needs to consult his stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the SSPA are able to fulfill their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time.

We shall immediately disclose to the SC in writing and notify the Non-Interested Shareholders by way of press notice and announcement on Bursa Securities if, after despatching this IAL, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAL:-

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAL to the Non-Interested Shareholders in accordance with Paragraph 11.07(2) of the Rules.

The following are disclosures made pursuant to the IAL Guide:-

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposals;
- (ii) Save for our current appointment as the Independent Adviser for the Proposals, we do not have any other professional relationship with CJ Century in the past 2 years; and
- (iii) We are a holder of a Capital Markets Services Licence issued by the SC as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

As a testament to our experience and credentials as independent adviser, we have issued more than 50 independent advice circulars / letters for transactions relating to acquisitions, disposals and take-over offers since 2014.

3. EVALUATION OF THE PROPOSALS

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals on a holistic basis in accordance with Schedule 2: Part III of the Rules.

We have considered the following pertinent factors in our evaluation of the Proposals:-

Consideration factors	Section
(i) Rationale for the Proposals	3.1
(ii) Basis and justification for the Purchase Consideration and the issue price of the Consideration Shares (" Issue Price ")	3.2
(iii) Salient terms of the SSPA	3.3
(iv) Effects of the Proposals	3.4
(v) Prospects of the enlarged CJ Century Group	3.5
(vi) Risk factors in relation to the Proposed Acquisition	3.6
(vii) Implications arising from the voting outcome of the Proposed Exemption	3.7

3.1 Rationale for the Proposals

We have considered the rationale for the Proposals set out in Section 3, Part A of the Circular and our commentaries are summarised below:-

Our commentaries on the rationale for the Proposed Acquisition

Riding on the CJ Logistics Corporation group's strength in logistics business

On 31 October 2016, CJ Asia (*a wholly-owned subsidiary of CJ Logistics Corporation*) emerged as the single largest shareholder of CJ Century (*with an equity interest of more than 30%*) following the acquisition of 120,544,236 CJ Century Shares from Datuk Phua Sin Mo, Datin Lee Lay Hun, Pamela Phua Jo Lyn and Chai Mee Young. The said acquisition was intended to expand the presence of CJ Logistics Corporation (*a reputed logistics provider in Korea with a diversified business portfolio offering integrated logistics solutions to both local and global customer*) in the region.

Apart from its investment in CJ Century, CJ Asia is also the sole shareholder of CJKX. Similar to the CJ Century Group, the CJKX Group is an integrated logistics service provider, providing amongst others, sea freight, container haulage, air freight, freight forwarding and warehousing services and hence, the CJKX Group is a strategic fit to the CJ Century Group.

The Proposed Acquisition is mutually beneficial to CJ Century and CJ Asia whereby:-

- (i) the Proposed Acquisition provides an opportunity for CJ Century to acquire a profitable complementary business in the logistics industry; and
- (ii) the streamlining of logistics business of the CJKX Group under CJ Century is in line with the strategic business direction of CJ Asia.

Further, upon completion of the Proposed Acquisition, the enlarged CJ Century Group is expected to benefit from the potential synergies via greater economies of scale arising from the consolidation of operations, optimisation of resource utilisation and sharing of assets and management capabilities in view of the following:-

- (i) Larger network and client base of the enlarged CJ Century Group in the logistics industry

At present, the CJ Century Group's business is concentrated in Malaysia with its clients mainly from the fast-moving consumer goods (FMCG) sector. On the other hand, the CJKX Group's clients are mainly Korean conglomerates and multi-national companies, owing to the business presence of its holding company, CJ Logistics Corporation in Korea and various other countries.

Upon completion of the Proposed Acquisition, the enlarged CJ Century Group will emerge as a larger player in the logistics industry in Malaysia, having a more extensive network of clientele and commanding a higher market share in the logistics industry arising from the consolidation of business operations.

Resulting therefrom, using combined resources, technical expertise and know-how, this may translate to opportunities for cross-selling of services as well as new business opportunities, particularly in the course of tendering and servicing multi-national contracts which usually require demonstration of satisfactory operating capability and capacity in terms of readiness of infrastructure, availability of transportation fleet, storage capacity as well as size of workforce.

(ii) Pooling of resources to improve operational efficiency and enhance operational synergies between the CJ Century Group and the CJKX Group

The Proposed Acquisition provides a platform for the integration of operations as well as optimisation of resource utilisation between the CJ Century Group and the CJKX Group. This is expected to improve the operational efficiency and enhance operational synergies for the enlarged CJ Century Group, which ultimately, lead to cost savings. An example of such measures is the consolidation of the front-end and back-room teams of both the CJ Century Group and the CJKX Group in the new multi-storey facility in Bukit Raja, Klang which enables better communication as well as cost control.

Further, by leveraging on each other's resources, facilities and infrastructure, expertise and experience, certain operational and administration activities may be integrated to avoid duplication such as expending on concerted marketing efforts rather than individually.

(iii) Considerable scale of operations of the CJKX Group

For the FYE 31 December 2019, the CJKX Group recorded an unaudited PAT of RM8.94 million on the back of revenue of RM289.32 million. Adjusting for the reduction in royalty, management and information technology ("IT") service fees payable by CJKX to CJ Asia from RM5.98 million to approximately RM0.76 million (*as it is the intention of CJ Asia to reduce these charges post-acquisition**), the adjusted PAT of CJKX Group shall be RM13.21 million.

* *Such intention is documented by way of a letter of comfort dated 31 January 2020 provided by CJ Asia to CJ Century.*

In view of the CJKX Group's considerable scale of operations vis-à-vis the CJ Century Group (*which recorded a loss after tax and minority interest of RM7.53 million on the back of revenue of RM491.99 million for the FYE 31 December 2019*), the addition of the CJKX Group to the enlarged CJ Century Group is expected to contribute towards potential synergies arising from the greater economies of scale.

In addition, as the CJKX Group will form part of the enlarged CJ Century Group upon completion of the Proposed Acquisition, this will also eliminate any potential conflict of interests and competition between the CJ Century Group and the CJKX Group within the same market segment in the future.

The Proposed Acquisition is expected to contribute positively to the financial performance of the CJ Century Group in view of the CJKX Group's historical financial performance (*see Section 5, Appendix I of the Circular for further details*) as well as the potential synergistic benefits of the Proposed Acquisition to be realised. An illustration of the pro forma effects of the Proposed Acquisition on the earnings and EPS of CJ Century is set out in Section 6.4, Part A of the Circular.

Our commentaries on the rationale for the Proposed Exemption

Pursuant to the issuance of Consideration Shares to CJ Asia upon completion of the Proposed Acquisition, CJ Asia's equity interest in CJ Century will increase from approximately 30.89% as at the LPD to approximately 54.31%. As a consequence, CJ Asia will be obliged to undertake the Mandatory Offer upon the SSPA becoming unconditional pursuant to Section 218 of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules. As CJ Asia has no intention of undertaking the Mandatory Offer, CJ Asia intends to seek an exemption pursuant to Paragraph 4.08(1)(a) of the Rules from the obligation to undertake the Mandatory Offer.

Further, as the Proposed Acquisition and the Proposed Exemption are inter-conditional upon each other, without the Proposed Exemption, the Proposed Acquisition will not proceed. Accordingly, CJ Century will not be able to realise the potential benefits arising from the Proposed Acquisition as detailed in Section 8 of this IAL.

Based on the above, we are of the view that the rationale for the Proposals is fair and reasonable.

3.2 Basis and justification for the Purchase Consideration and the Issue Price

3.2.1 Evaluation of the Purchase Consideration

In evaluating the Purchase Consideration, we have conducted a valuation on the CJKX Group. The CJKX Group is an integrated logistics service provider, providing amongst others, sea freight, container haulage, air freight, freight forwarding and warehousing services ("**Integrated Logistics Business**"). As set out in Section 1, Appendix I of the Circular, these business activities are mainly carried out by CJKX which has contributed approximately 99% to the total revenue of the CJKX Group for the FYE 31 December 2018.

Given the constant demand for logistics services arising from trade activities, the stream of future cash flows to be derived by the CJKX Group from its Integrated Logistics Business is expected to be predictable, taking into consideration the industry and business outlook over a longer term. In addition, all the land and buildings of the CJKX Group are used for the purposes of generating income and cash flows in its business operations.

In view of the above, we have adopted the discounted cash flows ("**DCF**") valuation model as our sole valuation method in arriving at the value of the CJKX Group. We view the DCF valuation model as the most appropriate method to estimate the value of the CJKX Group as the method is able to effectively factor in the earnings and cash flows potential of the CJKX Group's business as well as the timing of such cash flows to be generated. The DCF valuation model considers both the time value of money and the future cash flows to be generated by the CJKX Group's business over a specified period of time. As the methodology entails the discounting of the future cash flows to be generated from the business at a specified discount rate to arrive at its value, the riskiness of generating such cash flows will also be taken into consideration.

Under the DCF valuation method, the free cash flows to equity ("**FCFE**") projected to be generated from the CJKX Group's business is discounted at an appropriate cost of equity to reflect the rate of return required by shareholders to derive the present value of all future cash flows from the CJKX Group's business.

We have reviewed the future financial information of the CJKX Group until the FYE 31 December 2022 ("**Future Financials**"), which was prepared by the management of CJKX based on estimates on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Future Financials (*together with the bases and assumptions adopted therein*) have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Future Financials are as follows:-

- (i) the CJKX Group will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (ii) there will not be any significant change in the logistics industry landscape in Malaysia, which is expected to remain fragmented. For the purpose of the Future Financials, it is assumed that the CJKX Group will be able to compete effectively with a pool of other logistics service providers in securing and/or renewing logistics contracts to maintain and grow its revenue base as well as to maintain profitable operating margins;
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the CJKX Group. The increase in operating costs is assumed to be in tandem with sales and/or inflationary effects, except that the royalty, management and IT service fees payable by CJKX to CJ Asia shall reduce from approximately RM5.98 million to IT service fee only amounting to approximately RM0.76 million per annum after the Proposed Acquisition;
- (iv) there will not be any major disruptions to the business operations which may have a material adverse effect on the financial results, cash flows or business prospects of the CJKX Group, whether due to the coronavirus (COVID-19) outbreak or otherwise;
- (v) save for an estimated amount of approximately RM13.00 million for the purpose of acquisition of land (*completed in January 2020*) and construction of a new warehouse thereon (*commencement of construction is currently pending the approval of the Ministry of International Trade and Industry in view of the Movement Control Order and expected completion in the 3rd quarter following the commencement*) which will be financed via borrowings and replacement capital expenditure incurred in the ordinary course of business, there will not be any major capital expenditure to be incurred by the CJKX Group;
- (vi) sufficient funds will be available or obtainable to finance the working capital requirements and capital expenditure of the CJKX Group without any material adverse effect on its financial results, cash flows or business prospects;
- (vii) there will not be any significant or material changes in the principal activities of the CJKX Group and the existing group structure of CJKX;
- (viii) there will not be any significant or material changes to the agreements, contracts, licenses and regulations governing the business activities of the CJKX Group;
- (ix) the current accounting policies adopted by the CJKX Group will remain relevant and there will not be any significant changes in the accounting policies of the CJKX Group which may have a material adverse effect on the financial performance and financial position of the CJKX Group; and
- (x) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the logistics industry in Malaysia.

In order to derive the value of the CJKX Group, we have discounted the FCFE projected to be generated from the CJKX Group's business at an appropriate cost of equity to reflect the rate of return required by shareholders for an investment in the CJKX Group. Our valuation, together with the key bases and assumptions adopted, are as follows:-

No	Key bases and assumptions		Descriptions
(i)	FCFE	Based on the Future Financials until the FYE 31 December 2022	<p>FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movements in working capital, net investing cash flows and net financing cash flows.</p> <p>We have reviewed the key bases and assumptions adopted in the Future Financials prepared by the management of CJKX in deriving the FCFE and we are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.</p>
(ii)	Cost of equity (" K_e ")	9.58% to 11.20% (based on the expected capital structure for the respective financial year)	<p>Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the CJKX Group's business given the risks associated with the cash flows. In deriving the said cost of equity, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity ranging from 9.58% to 11.20% (after applying an additional 3% for discount for lack of marketability of 3.00%) with the following inputs:-</p> $K_e = R_f + \beta (R_m - R_f)$ <p>Based on a study conducted by Aswath Damodaran (a Professor of Finance at the Stern School of Business at New York University) titled "Marketability and Value: Measuring the Illiquidity Discount", investors are generally willing to pay higher prices for more liquid assets than for otherwise similar illiquid assets. However, measuring such illiquidity discount or discount for lack of marketability is highly subjective, with such discount ranging up to 4.00%. We view that it is reasonable to apply a discount for lack of marketability of 3.00% after taking into consideration the size of operations vis-à-vis the lack of liquidity of CJKX Shares, especially that CJKX is a foreign-owned private company and the CJKX Group is highly reliant on its key customers (where approximately 50% of CJKX's total revenue is derived from the contribution of 4 of its key customers).</p>
(iii)	Risk-free rate of return (" R_f ")	2.96%	<p>Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities. As extracted from Bloomberg, the said yield is 2.96% per annum as at the LTD.</p>

No	Key bases and assumptions	Descriptions								
(iv)	Expected market rate of return (" R_m ")	<p>Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p> <p>In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.95% per annum for the past 10 years up to the LTD.</p>								
(v)	Beta (" β ")	<p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa.</p> <p>In deriving the estimated beta for the CJKX Group's business, we have relied on the 5-year historical beta up to the LTD of companies listed on Bursa Securities which have a market capitalisation of not more than RM300.00 million and are principally involved in the logistics industry, with more than 75% of their revenue being generated from and total assets being employed in Integrated Logistics Business⁽¹⁾. As the historical beta extracted from Bloomberg is based on the capital structure of the respective companies, we have un-levered the beta and re-levered the beta based on the expected capital structure of the CJKX Group (with a debt to equity ratio ranging from 0.037 times to 0.644 times based on the Future Financials). Based on our computation, the re-levered beta of the CJKX Group's business ranges from 0.518 to 0.750.</p> <p><u>Note:-</u> (1) The list of comparable companies and their principal activities (source: Bloomberg) are as follows:-</p> <table border="0" data-bbox="938 159 1358 1552"> <thead> <tr> <th data-bbox="938 1003 986 1249"><u>Company</u></th> <th data-bbox="938 159 986 1003"><u>Principal activities</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="986 1003 1082 1249">Tasco Berhad</td> <td data-bbox="986 159 1082 1003">Tasco Berhad provides logistics services. The company offers supply, warehousing, and haulage services to airports and automobile manufacturers. The company also provides land transportation services.</td> </tr> <tr> <td data-bbox="1082 1003 1209 1249">Freight Management Holdings Berhad</td> <td data-bbox="1082 159 1209 1003">Freight Management Holdings Berhad, through its subsidiaries, provides freight and warehousing services on an international basis. The company provides sea, air, and rail freight services, warehousing and distribution, customs brokerage, road transportation, and project management.</td> </tr> <tr> <td data-bbox="1209 1003 1358 1249">CJ Century</td> <td data-bbox="1209 159 1358 1003">CJ Century operates as a holding company. The Company, through its subsidiaries, provides freight forwarding, warehousing, container haulage, transportation, oil logistics, data management, and storage services, as well as distribution and property investment services. CJ Century serves customers worldwide.</td> </tr> </tbody> </table>	<u>Company</u>	<u>Principal activities</u>	Tasco Berhad	Tasco Berhad provides logistics services. The company offers supply, warehousing, and haulage services to airports and automobile manufacturers. The company also provides land transportation services.	Freight Management Holdings Berhad	Freight Management Holdings Berhad, through its subsidiaries, provides freight and warehousing services on an international basis. The company provides sea, air, and rail freight services, warehousing and distribution, customs brokerage, road transportation, and project management.	CJ Century	CJ Century operates as a holding company. The Company, through its subsidiaries, provides freight forwarding, warehousing, container haulage, transportation, oil logistics, data management, and storage services, as well as distribution and property investment services. CJ Century serves customers worldwide.
<u>Company</u>	<u>Principal activities</u>									
Tasco Berhad	Tasco Berhad provides logistics services. The company offers supply, warehousing, and haulage services to airports and automobile manufacturers. The company also provides land transportation services.									
Freight Management Holdings Berhad	Freight Management Holdings Berhad, through its subsidiaries, provides freight and warehousing services on an international basis. The company provides sea, air, and rail freight services, warehousing and distribution, customs brokerage, road transportation, and project management.									
CJ Century	CJ Century operates as a holding company. The Company, through its subsidiaries, provides freight forwarding, warehousing, container haulage, transportation, oil logistics, data management, and storage services, as well as distribution and property investment services. CJ Century serves customers worldwide.									

No	Key bases and assumptions		Descriptions
			<p><u>Company</u></p> <p>Xin Hwa Holdings Berhad</p> <p><u>Principal activities</u></p> <p>Xin Hwa Holdings Berhad is an investment holding company engaged in the provision of management services. The company, through its subsidiaries, is a logistics service provider involved in land transport operations, warehousing and distribution operations.</p> <p>Complete Logistic Services Berhad is an investment holding company. The company, through its subsidiaries, owns ships, provides marine transportation services, general trading, trading of freight, lorry and trucking services, and logistics.</p> <p>See Hup Consolidated Berhad is an investment holding company. The company, through its subsidiaries, provides transportation services, maintenance of heavy vehicles, forwarding agent services, bonded truck services, bonded warehousing, and contractor services. See Hup Consolidated Berhad also rents properties and hires cranes and forklifts.</p> <p>Ancom Logistics Berhad provides logistics services. The company offers transportation and logistics services, including freight transport and warehousing services.</p> <p>Nevertheless, we wish to highlight that there is no company listed on Bursa Securities which is identical to the CJXX Group's business. Whilst we noted that the companies may have different business models and offer different services, we view that the identified companies are adequately comparable to the CJXX Group's business and are reasonable to be adopted for the purposes of deriving the estimated beta of the industry.</p>
(vi)	Perpetuity growth rate ("g")	1.50% to 2.00%	<p>For the period beyond the FYE 31 December 2022, we have adopted a range of perpetuity growth rate of 1.50% to 2.00% on the FCFE, which we view as reasonable after taking into consideration, amongst others, the long-term growth prospects of the CJXX Group's business and the logistics industry in Malaysia. As a cross-check, we have considered the following factors:-</p> <p>(a) in 2020, the transport and storage subsector is anticipated to grow 6.4% mainly supported by land transport segment (source: <i>Economic Outlook 2020, Ministry of Finance</i>);</p> <p>(b) the headline inflation (which is a measure of the general annual increase in the consumer price index that represents the weighted average price of a basket of consumer goods and services) averaged at 0.7% in 2019 while the headline inflation for the months of January 2020 and February 2020 were 1.6% and 1.3%, respectively (source: <i>Bank Negara Malaysia</i>);</p>

No	Key bases and assumptions		Descriptions
			<p>(c) headline inflation is forecasted to average within the range of -1.5% to 0.5% in 2020 (2019: 0.7%) (source: <i>Economic and Monetary Review 2019, Bank Negara Malaysia</i>); and</p> <p>(d) Malaysia's gross domestic product growth is projected to be between -2.0% to 0.5% in 2020 (2019: 4.3%) (source: <i>Economic and Monetary Review 2019, Bank Negara Malaysia</i>).</p> <p>Therefrom, we derived the terminal value (in present terms) for the CJXX Group's business of between RM92.41 million and RM98.86 million based on the formula set out below.</p> <p>The Malaysian statutory corporate income tax rate applicable to the CJXX Group is 24%.</p>
(vii)	Statutory corporate income tax rate	24%	<p>The formula used to derive the value of the CJXX Group is as follows:-</p> $\text{Value of the CJXX Group} = \text{Present value of projected FCFE based on the Future Financials}^{(1)} + \text{Present value of terminal value}^{(2)}$ <p><i>Notes:-</i></p> <p>(1) Computed based on the following formula:-</p> $\text{Present value of FCFE} = \frac{\text{FCFE}}{(1 + K_e)^n}$ <p>whereby, n represents time in number of years into the future.</p> <p>(2) Computed based on the following formula:-</p> $\text{Present value of terminal value} = \frac{\text{Expected sustainable level of FCFE} \times (1+g)}{(K_e - g) \times (1 + K_e)^n}$ <p>whereby, n represents the year in which the expected sustainable level of FCFE is derived.</p>
Value of the CJXX Group		ranging from RM106.45 million to RM112.90 million	

Our commentaries:-

Based on the DCF valuation model, we have derived a range of estimated value for the CJXX Group of between RM106.45 million and RM112.90 million, representing a **premium** of 6.45% to 12.90% to the Purchase Consideration.

Accordingly, we view that the Purchase Consideration is fair and reasonable.

3.2.2 Evaluation of the Issue Price

In evaluating the Issue Price, we have considered the following:-

(i) Historical market price performance of the CJ Century Shares

The graph below sets out the historical daily VWAPs of the CJ Century Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period) for the past 3 years prior to the LTD and up to the LPD:-



(Source: Bloomberg)

From mid-2017 and up to the LPD, the daily VWAPs of the CJ Century Shares had been trending downwards prior to stabilising at the current price levels. The decrease in the historical market prices of the CJ Century Shares during the said period may have been mainly contributed by the decline in the CJ Century Group's financial performance as tabulated below:-

FYE	(Loss) / Profit attributable to owners of the Company (RM'000)	Variance from comparative FYE (%)	Diluted LPS / EPS (sen)	Variance from comparative FYE (%)
31.12.2019	(7,531)	↓ 177.0	(1.93)	↓ 177.8
31.12.2018	9,784	↓ 35.7	2.48	↓ 35.1
31.12.2017	15,222	↓ 24.5	3.82	↓ 26.4
31.12.2016	20,170		5.19	

Whilst the daily VWAPs of the CJ Century Shares have been higher than the Issue Price on and prior to 23 October 2018, the historical market prices of the CJ Century Shares for the recent 12-month period prior to the LTD and up to the LPD would serve as a more meaningful reference of the market prices of the CJ Century Shares to be used as part of our evaluation of the Issue Price. This is premised upon that such historical market prices would reflect the more recent market prices of CJ Century Shares at which any shareholders or potential shareholders would be able to acquire from the open market.

Based on the graph above, the Issue Price is **higher than** the daily VWAPs of the CJ Century Shares for almost all market days (save for 4 market days in February 2019), representing approximately 98.7% of the total market days (with trading volume) for the past 12 months prior to the LTD and up to the LPD.

The principal activities of the CJ Century Group have remained unchanged for the past 12 months prior to the LTD and up to the LPD.

The monthly highest and lowest traded market prices of CJ Century Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period) for the past 12 months up to March 2020 (being the last full trading month prior to the LPD) are as follows:-

	High (RM)	Low (RM)
<u>2019</u>		
April	0.452	0.422
May	0.432	0.360
June	0.425	0.370
July	0.470	0.410
August	0.455	0.380
September	0.425	0.370
October	0.410	0.370
November	0.405	0.330
December	0.400	0.330
<u>2020</u>		
January	0.410	0.370
February	0.400	0.360
March	0.350	0.205

(Source: Bloomberg)

Based on the table above, the monthly highest and lowest traded market prices of CJ Century Shares for the past 12 months up to March 2020 are RM0.470 (July 2019) and RM0.205 (March 2020) respectively.

Further, the Issue Price of RM0.50 is yielding the following premium to the historical closing market prices / VWAPs of the CJ Century Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period):-

	Premium of the Issue Price to the historical closing market prices / VWAPs of the CJ Century Shares		
	Closing market prices / VWAPs (RM)	(RM)	(%)
Up to the LTD:- (11 February 2020)			
Last traded market price	0.3850	0.1150	29.87
5-day VWAP	0.3858	0.1142	29.60
1-month VWAP	0.3880	0.1120	28.87
3-month VWAP	0.3785	0.1215	32.10
6-month VWAP	0.3853	0.1147	29.77
1-year VWAP	0.4385	0.0615	14.03

	Closing market prices / VWAPs	Premium of the Issue Price to the historical closing market prices / VWAPs of the CJ Century Shares	
		(RM)	(%)
Up to the LPD:- (28 April 2020)			
Last traded market price	0.2850	0.2150	75.44
5-day VWAP	0.2875	0.2125	73.91

(Source: Bloomberg)

Based on the table above, the Issue Price represents:-

- (a) a premium of RM0.1150 (29.87%) and RM0.2150 (75.44%) over the last traded market price of the CJ Century Shares on the LTD and on the LPD respectively;
- (b) a premium of between RM0.0615 (14.03%) and RM0.1215 (32.10%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the CJ Century Shares up to the LTD; and
- (c) a premium of RM0.2125 (73.91%) over the 5-day VWAP of the CJ Century Shares up to the LPD.

(ii) Consolidated NA per CJ Century Share

The Issue Price of RM0.50 represents a discount to the following consolidated NA per CJ Century Share:-

	Consolidated NA per CJ Century Share ⁽¹⁾ (RM)	Discount	
		(RM)	(%)
(i) As at 31 December 2019	0.81	0.31	38.27
(ii) As at 31 December 2018	0.83	0.33	39.76

Note:-

(1) Computed based on consolidated NA of CJ Century divided by number of CJ Century Shares in issue, excluding treasury shares

(Sources: Audited consolidated financial statements of CJ Century for the FYE 31 December 2018 and 31 December 2019)

Our commentaries:-

Notwithstanding that the issuance of Consideration Shares to CJ Asia:-

- (i) will result in a dilution in the percentage shareholdings of the Non-Interested Shareholders in CJ Century from approximately 69.11% to approximately 45.69% (see effects of the Proposed Acquisition on EPS and NA per CJ Century Share in Section 3.4.1 of this IAL and other relevant implications in Section 3.7.1 of this IAL); and
- (ii) is at a discount of RM0.31 (38.27%) to the audited consolidated NA per CJ Century Share as at 31 December 2019 and hence, as illustrated in Section 6.3, Part A of the Circular, will result in a dilution in the pro forma consolidated NA per Century Share by RM0.11 from RM0.81 (as at 31 December 2019) to RM0.70 (upon completion of the Proposed Acquisition),

the Non-Interested Shareholders should also note that:-

- (i) majority of the Group's assets comprise property, plant and equipment including warehouses and fleet of vehicles, of which there is no assurance that these assets can be realised at their full values due to various factors such as the existence of ready and committed buyer(s) who is willing to pay the full value of each asset as well as the payment of incidental costs related to such sale transactions; and
- (ii) based on the illustration set out in Section 6.4, Part A of the Circular, the Proposed Acquisition is earnings accretive.

Further, as a comparison to the historical market prices of the CJ Century Shares (*being prices at which any willing buyers and willing sellers may transact the CJ Century Shares in the open market*), the Issue Price:-

- (i) is **higher than** the daily VWAPs of the CJ Century Shares for almost all market days (*save for 4 market days in February 2019*), representing approximately 98.7% of the total market days (*with trading volume*) for the past 12 months prior to the LTD and up to the LPD;
- (ii) represents a **premium** of RM0.1150 (29.87%) over the last traded market price of the CJ Century Shares on the LTD and a **premium** of between RM0.0615 (14.03%) and RM0.1215 (32.10%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the CJ Century Shares up to the LTD; and
- (iii) represents a **premium** of RM0.2150 (75.44%) over the last traded market price of the CJ Century Shares on the LPD and a **premium** of RM0.2125 (73.91%) over the 5-day VWAP of the CJ Century Shares up to the LPD.

In addition to the above, the benefits and advantages for the satisfaction of the entire Purchase Consideration via the issuance of Consideration Shares are as follows:-

- (i) the Proposed Acquisition represents a significant acquisition for the CJ Century Group in view that the Purchase Consideration of RM100.00 million represents approximately two-thirds of the market capitalisation of CJ Century as at the LTD of RM150.25 million.

The satisfaction of the entire Purchase Consideration via the issuance of Consideration Shares allows CJ Century to consider the Proposed Acquisition whilst conserving its cash reserves (*which stand at approximately RM62.90 million (excluding cash held on behalf of customers) as at 31 December 2019*) and without relying on additional borrowings and/or equity fund raising in view that:-

- (a) additional borrowings will place more constraints on cash flows of the CJ Century Group due to the debt servicing obligations in respect of payments of interest and principal repayments. Further, assuming the entire Purchase Consideration is funded by bank borrowings, the gearing of the CJ Century Group will increase from 0.61 times (*as at 31 December 2019*) to 0.94 times (*upon completion of the Proposed Acquisition*); and
- (b) in view of the large financial commitment required to fund the cash outlay of RM100.00 million, an equity fund raising exercise such as private placement and rights issue may place a financial burden to the existing shareholders of CJ Century and may not be successful.

Further, such equity fund raising exercise is usually implemented with a discount to the prevailing market prices of CJ Century Shares (*as opposed to the Issue Price which is at a premium over prevailing market prices*). The issuance of new CJ Century Shares at a discount to its prevailing market prices will entail issuance of a larger number of CJ Century Shares. Accordingly, this may result in a greater dilution in the existing shareholdings of the Non-Interested Shareholders in CJ Century who do not participate in such issuance of new CJ Century Shares;

- (ii) as set out in Section 6.3, Part A of the Circular, the issuance of Consideration Shares will strengthen the CJ Century Group's financial position, with an increase in consolidated NA of close to RM100.00 million as well as a decrease in its gearing from 0.61 times (*as at 31 December 2019*) to 0.47 times (*upon completion of the Proposed Acquisition*); and
- (iii) in addition, the issuance of Consideration Shares provides an opportunity to CJ Asia to participate further in the potential future growth of the enlarged CJ Century Group as its shareholder, having common interests to contribute towards the improvement of the enlarged CJ Century Group's financial performance. The increased participation of CJ Asia in CJ Century reaffirms its commitment to the enlarged CJ Century Group and that it is not their intention to monetise their investments in the CJKX Group.

For your information, the issuance of Consideration Shares will only result in a minimal increase in the weighted average cost of capital ("**WACC**") of CJ Century from 6.41% to 6.42% (*see below*), arising from the increase in equity financing (K_e : 9.00%, *after the Proposed Acquisition*) which has a higher required rate of return as compared to debt financing (K_d : 3.69%, *post-tax of 24%*). On the other hand, assuming the Proposed Acquisition is fully funded using bank borrowings, the WACC of CJ Century is expected to decrease marginally to 6.40% (*see below*) due to the increase in debt financing.

	Before the Proposed Acquisition	After the Proposed Acquisition	
		To be financed via issuance of Consideration Shares (" Equity Scenario ")	To be financed via additional borrowings (" Debt Scenario ")
WACC	6.41%	6.42%	6.40%

where:-

$$\text{WACC} = \frac{E}{D + E} \times K_e + \frac{D}{D + E} \times K_d(1 - t)$$

and:-

E: market value of the firm's equity before* / after# the Proposed Acquisition

* *Before* - based on the 5-day VWAP of CJ Century Shares up to and including the LTD of RM0.3858 and the existing issued share capital of CJ Century comprising 390,260,990 CJ Century Shares (excluding treasury shares)

After - based on the 5-day VWAP of CJ Century Shares up to and including the LTD of RM0.3858 and (i) for Equity Scenario, the enlarged issued share capital of CJ Century comprising 590,260,990 CJ Century Shares (excluding treasury shares) after the issuance of 200,000,000 Consideration Shares or (ii) for Debt Scenario, the existing issued share capital of CJ Century comprising 390,260,990 CJ Century Shares (excluding treasury shares)

D: market value of the firm's debt before* / after# the Proposed Acquisition

* Before - based on the Group's interest-bearing borrowings and lease liabilities as at 31 December 2019 of RM201.67 million

After - based on the enlarged Group's interest-bearing borrowings and lease liabilities as at 31 December 2019 of (i) RM214.98 million for Equity Scenario or (ii) RM314.98 million for Debt Scenario

K_e: cost of equity, representing the rate of return required by an investor on the cash flow streams generated by the Group given the risks associated with the cash flows and is derived using the Capital Asset Pricing Model below:-

$$K_e = R_f + \beta (R_m - R_f) \text{ (further details as set out in Section 3.2.1 of this IAL)}$$

where:-

R_f: risk-free rate of return of 2.96% per annum

β: beta (derived from the same identified companies in Section 3.2.1 of this IAL) re-levered based on the existing and expected capital structure of CJ Century Group before* / after# the Proposed Acquisition

* Before - based on a debt to equity ratio of the Group as at 31 December 2019 of 1.339 times

After - based on a debt to equity ratio of the enlarged Group as at 31 December 2019 of (i) 0.944 times for Equity Scenario or (ii) 2.092 times for Debt Scenario

R_m: expected market rate of return of 9.95% per annum

K_d: pre-tax cost of debt, representing the rate of return required by the lenders and is based on an expected interest rate of 4.85% per annum, which is based on the weighted average effective interest rates of the CJ Century Group's term loans for the FYE 31 December 2019 (which are subjected to floating interest rates)

t: statutory corporate income tax rate of 24%

Based on our evaluation on a holistic basis, we view the issuance of the Consideration Shares at the Issue Price as fair and reasonable and not detrimental to the interests of the Non-Interested Shareholders.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

3.3 Salient terms of the SSPA

Our commentaries on the salient terms of the SSPA as set out in Section 2.1.1, Part A of the Circular are as follows:-

Salient terms of the SSPA	Our commentaries
<p>(i) Purchase Consideration and manner of payment</p> <p>(a) The total consideration for the purchase of all the Sale Shares shall be RM100,000,000 only which is arrived at on a willing-buyer willing-seller basis.</p> <p>(b) The Purchase Consideration shall be settled by the Company on the completion date of the Proposed Acquisition by issuing and allotting the Consideration Shares to CJ Asia.</p>	<p>Fair and reasonable. Please refer to Section 3.2 of this IAL for our evaluation on the Purchase Consideration and the Issue Price. In addition, the satisfaction of the entire Purchase Consideration via the issuance of Consideration Shares has its benefits and advantages as set out in Section 3.2.2 of this IAL.</p>
<p>(ii) Conditions Precedent</p> <p>Completion of the sale and purchase of the Sale Shares (“Completion”) is conditional upon the satisfaction or waiver (as the case may be) of the following Conditions Precedent:-</p> <p>(a) the approval of the shareholders of the Company being obtained for the purchase of the Sale Shares in a general meeting to be convened;</p> <p>(b) the approval of the SC being obtained by CJ Asia for the exemption under subparagraph 4.08(1)(a) of the Rules from the obligation to undertake a Mandatory Offer upon Completion;</p> <p>(c) the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and</p> <p>(d) the approval / consent of government agencies and financiers for the transfer of Sale Shares by CJ Asia to the Company, where required.</p>	<p>Fair and reasonable. The Conditions Precedent represent necessary approvals / procedures which are customary to facilitate the completion of the Proposed Acquisition.</p> <p>The SSPA will become unconditional if the Conditions Precedent are fulfilled and/or waived (<i>whereby, CJ Asia may waive the condition requiring approval of the SC being obtained for the Proposed Exemption</i>) on a date falling 6 months after the date of the SSPA or such other date as agreed in writing by the parties (“Unconditional Date”).</p> <p>As at the LPD, the Proposed Acquisition is still subject to the fulfilment and/or waiver of all the Conditions Precedent, except that Bursa Securities had, <i>vide</i> its letter dated 13 March 2020, approved the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities. The said approval from Bursa Securities is subject to the conditions set out in Section 7, Part A of the Circular.</p>

Salient terms of the SSPA	Our commentaries
<p>If the Conditions Precedent are not fulfilled or waived, on or before a date falling 6 months after the date of the SSPA, or such other date as agreed in writing, either CJ Asia or the Company may terminate the SSPA (<i>other than the surviving provisions of the SSPA</i>) by notice in writing to the other.</p>	<p>If any of the Conditions Precedent:-</p> <p>(i) is not fulfilled or waived by the Unconditional Date; or</p> <p>(ii) after having been fulfilled, is suspended, revoked or varied in a material respect, after the Unconditional Date but on or before the completion date of the Proposed Acquisition ("Completion Date"),</p> <p>either party may terminate the SSPA (<i>other than the surviving provisions of the SSPA</i>), whereupon no party shall have any claim against the other under the SSPA, save for any claim arising from antecedent breaches of the SSPA which have accrued prior to such termination.</p>
<p>(iii) Termination</p> <p>If any fact, matter or event (<i>whether existing or occurring on or before the date of the SSPA or arising or occurring afterwards</i>) comes to the notice of the Company or CJ Asia (together, "Parties" and each a "Party") ("Non-Defaulting Party") at any time prior to Completion which constitutes:-</p> <p>(a) a material breach by a Party of any of the provisions of the SSPA, including but not limited to their respective obligations set out in the SSPA, CJ Asia's warranties or CJ Century's warranties (<i>as the case may be</i>) or any other covenants, undertakings or obligations under the SSPA; and/or</p> <p>(b) a gross neglect or wilful default by reason of the failure, refusal or inability to complete the transaction in accordance with the provisions of the SSPA,</p>	<p>Fair and reasonable. This clause is a normal commercial term which governs the rights of the non-defaulting party. In any event of default, the non-defaulting party may terminate the SSPA (<i>other than the surviving provisions of the SSPA</i>), whereupon the parties shall have no further claims against each other save and except for any rights and obligations relating to antecedent breaches which have accrued prior to such termination.</p> <p>Further, CJ Asia shall also be entitled to terminate the SSPA (<i>other than the surviving provisions of the SSPA</i>) on or before the Completion Date, if there is an occurrence of a Material Adverse Effect⁽¹⁾ after the date of the SSPA, whereupon the parties shall have no further claims against each other save and except for any rights and obligations relating to antecedent breaches which have accrued prior to such termination. This is also fair and reasonable in view that CJ Asia will be receiving the Consideration Shares for the full settlement of the Purchase Consideration on the Completion Date.</p>

Salient terms of the SSPA	Our commentaries				
<p>which is either incapable of remedy, or if it is capable of being remedied, the same has not been remedied by the Party who has breached the SSPA (“Defaulting Party”) to the satisfaction of the Non-Defaulting Party within 30 days (or such longer period the Non-Defaulting Party grants) from the date of receipt by the Defaulting Party of a written notice from the Non-Defaulting Party of the occurrence of such event or breach by the Defaulting Party, the Non-Defaulting Party shall be entitled to, by written notice to the Defaulting Party, terminate the SSPA (other than the surviving provisions of the SSPA), whereupon the Parties shall each return to the other all information, documents and other materials that have been delivered pursuant to the transaction as contemplated in the SSPA and thereafter the Parties shall have no further claims against each other save and except for any rights and obligations relating to antecedent breaches which have accrued prior to such termination.</p>	<p>Note (1):- “Material Adverse Effect” means any circumstances that have materially and adversely affected, or can most probably be expected to materially adversely affect, CJ Century’s or any of its affiliates’ assets, liabilities, results of operation or financial condition, taken as a whole, provided that CJ Century’s or its affiliate’s assets, liabilities, results of operation or financial condition shall be considered materially affected, taken as a whole, if the financial impact of any circumstances thereon exceeds RM54.5 million (which is approximately 10% of the total assets of the CJ Century Group for the last FYE 31 December 2018 based on its audited accounts)</p>				
<p>(iv) Limitation of liability</p> <p>For the purpose of this provision, “Claim” means any claim, demand, legal proceedings or cause of action, including any claim, demand, legal proceedings or cause of action under common law or under statute in any way relating to the SSPA, or, to the sale and purchase of the Sale Shares contemplated by the SSPA, and includes a claim, demand, legal proceedings or cause of action arising from a breach of warranty or under an indemnity in the SSPA.</p> <p><u>Maximum and minimum amounts</u></p> <p>(a) CJ Asia shall not be liable in respect of any Claim unless the amount finally agreed or adjudicated to be payable in relation to that Claim:-</p> <p>(1) exceeds RM300,000.00; and</p> <p>(2) either alone or together with the amount finally agreed or adjudicated to be payable in respect of other Claims exceeds RM300,000.00,</p> <p>in which event, CJ Asia shall be liable for all of that amount in excess of the initial RM300,000.00.</p> <p>(b) CJ Asia shall not be liable in respect of any Claim to the extent that the aggregate amount of the liability of CJ Asia agreed or determined for all Claims made against it under the SSPA would exceed 20% of the Purchase Consideration.</p>	<p>Fair and reasonable. This clause provides an avenue for CJ Century to claim against CJ Asia (including post-completion of the SSPA) for any claim, demand, legal proceeds or cause of action:-</p> <p>(i) under common law or under statute in any way relating to the SSPA or the sale and purchase of the Sale Shares contemplated by the SSPA;</p> <p>(ii) arising from a breach of warranty; and</p> <p>(iii) under an indemnity in the SSPA.</p> <p>The maximum and minimum amounts for which CJ Asia shall be liable pursuant to such claim are as follows:-</p> <table border="1" data-bbox="1086 185 1190 875"> <tr> <td>Maximum amount</td> <td>20% of the Purchase Consideration i.e. RM20.0 million</td> </tr> <tr> <td>Minimum amount</td> <td>Any excess amount over the minimum threshold of RM0.3 million</td> </tr> </table> <p>Further to the above, the liability of CJ Asia in respect of a claim is subject to CJ Century’s timely notification (within 18 months of completion of the Proposed Acquisition) and reasonable diligence in pursuing the claim (within 6 months or such longer period as may be agreed of the date CJ Century is required to notify CJ Asia of the claim).</p>	Maximum amount	20% of the Purchase Consideration i.e. RM20.0 million	Minimum amount	Any excess amount over the minimum threshold of RM0.3 million
Maximum amount	20% of the Purchase Consideration i.e. RM20.0 million				
Minimum amount	Any excess amount over the minimum threshold of RM0.3 million				

Salient terms of the SSPA	Our commentaries
<p><u>Time Limits</u></p> <p>CJ Asia is not liable in respect of a Claim if:-</p> <p>(a) the Company does not notify CJ Asia of the Claim within 18 months of Completion setting out in reasonable detail the specific matter in respect of which the Claim is made including an estimate of the amount of such Claim; and</p> <p>(b) within 6 months (or such longer period as may be agreed) of the date the Company is required to notify CJ Asia of the Claim under clause (a) above:-</p> <p>(1) the Claim has not been agreed, compromised or settled; and</p> <p>(2) the Company has not (I) issued and served legal proceedings against CJ Asia in respect of the Claim and (II) continued to pursue such legal proceedings with reasonable diligence.</p>	<p>Please refer to our commentaries above.</p>

Based on the above, we are of the view that the salient terms of the SSPA are fair and reasonable and are not detrimental to the interests of the Non-Interested Shareholders.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

3.4 Effects of the Proposals

We noted the following pro forma effects of the Proposals from Section 6, Part A of the Circular:-

3.4.1 Proposed Acquisition

(i) Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will result in an increase in the issued share capital of CJ Century by RM100.00 million due to the issuance of 200,000,000 Consideration Shares at the Issue Price of RM0.50 to CJ Asia to satisfy the Purchase Consideration.

The pro forma effects of the Proposed Acquisition on the substantial shareholders' shareholdings are as follows:-

Name	As at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of CJ Century Shares ('000)	% ⁽¹⁾	No. of CJ Century Shares ('000)	% ⁽¹⁾	No. of CJ Century Shares ('000)	% ⁽²⁾	No. of CJ Century Shares ('000)	% ⁽²⁾
CJ Asia	120,544	30.89	-	-	320,544	54.31	-	-
Teow Choo Hing	45,889	11.76	2,224 ⁽³⁾	0.57	45,889	7.77	2,224 ⁽³⁾	0.38

Notes:-

- (1) Computed based on the total number of 390,260,990 CJ Century Shares (excluding treasury shares) as at the LPD.
- (2) Computed based on the enlarged total number of 590,260,990 CJ Century Shares (excluding treasury shares) after the issuance of 200,000,000 Consideration Shares pursuant to the Proposed Acquisition.
- (3) By virtue of his deemed interest through his wife in accordance with Section 8 of the Act.

(ii) Earnings and EPS

Upon completion of the Proposed Acquisition, CJKX will become a wholly-owned subsidiary of CJ Century and accordingly, CJ Century will consolidate any future earnings / losses of the CJKX Group.

For illustration purposes, assuming the Proposed Acquisition had been completed on 1 January 2019, the pro forma effects of the Proposed Acquisition on the earnings and EPS of CJ Century for the FYE 31 December 2019 is as follows:-

	FYE 31 December 2019 (Audited) (RM'000)	After the Proposed Acquisition ⁽¹⁾ (RM'000)
(Loss) / Profit attributable to owners of the Company	(7,531)	5,678
Weighted average number of CJ Century Shares ('000)	390,261	590,261
Actual LPS / Pro forma EPS (sen)	(1.93)	0.96

Note:-

(1) After (i) consolidating the PAT of the CJKX Group of RM8.94 million based on their unaudited financial statements for the FYE 31 December 2019 and adjusting for the reduction in royalty, management and IT service fees payable by CJKX to CJ Asia from RM5.98 million to approximately RM0.76 million per annum after the Proposed Acquisition. It is the intention of CJ Asia to reduce these charges post-acquisition to IT service fee only amounting to approximately RM0.76 million per annum, as documented by way of a letter of comfort dated 31 January 2020 provided by CJ Asia to CJ Century; and (ii) deducting the estimated expenses relating to the Proposals amounting to approximately RM0.95 million.

The Non-Interested Shareholders should note that the computation of pro forma effects of the Proposed Acquisition on the earnings and EPS of CJ Century above:-

- (a) includes the estimated expenses relating to the Proposals of approximately RM0.95 million which are non-recurring in nature; but
- (b) does not include annual amortisation and/or impairment of any intangible assets to be identified as well as any impairment loss on goodwill arising from the Proposed Acquisition to be recognised. Please refer to Section 5.6, Part A of the Circular for further details of impairment risk in relation to the Proposed Acquisition.

Based on the above, the Proposed Acquisition is expected to contribute positively to the earnings and EPS of CJ Century in view of the CJKX Group's historical financial performance as well as the potential synergistic benefits of the Proposed Acquisition to be realised.

(iii) NA and gearing

As set out in Section 6.3, Part A of the Circular, the Proposed Acquisition will result in a decrease in the consolidated NA per CJ Century Share by RM0.11 from RM0.81 (*as at 31 December 2019*) to RM0.70 (*upon completion of the Proposed Acquisition*), attributable to the following:-

- (a) dilutive impact from the issuance of 200,000,000 Consideration Shares at the Issue Price of RM0.50, which represents a discount of 38.27% to the audited consolidated NA per CJ Century Share as at 31 December 2019; and
- (b) estimated expenses relating to the Proposals of approximately RM0.95 million.

The gearing of CJ Century Group will decrease from 0.61 times (*as at 31 December 2019*) to 0.47 times (*upon completion of the Proposed Acquisition*) due to the enlarged NA base of CJ Century Group resulting from the issuance of Consideration Shares.

3.4.2 Proposed Exemption

The Proposed Exemption (*on a standalone basis*) will not have any effect on the issued share capital, substantial shareholders' shareholdings in CJ Century, earnings and EPS as well as NA and gearing of the CJ Century Group.

Based on our evaluation above, the overall effects of the Proposals are not detrimental to the interests of the Non-Interested Shareholders.

3.5 Prospects of the enlarged CJ Century Group

As set out in Section 3.1 of this IAL, the Proposed Acquisition provides an opportunity for CJ Century to acquire a profitable complementary business in the logistics industry.

For the FYE 31 December 2019, the CJKX Group recorded an unaudited PAT of RM8.94 million on the back of revenue of RM289.32 million. Adjusting for the reduction in royalty, management and IT service fees payable by CJKX to CJ Asia from RM5.98 million to approximately RM0.76 million (*as it is the intention of CJ Asia to reduce these charges post-acquisition*), the adjusted PAT of CJKX Group shall be RM13.21 million. The planned construction of a new warehouse by the CJKX Group (*commencement of construction is currently pending the approval of the Ministry of International Trade and Industry in view of the Movement Control Order and expected completion in the 3rd quarter following the commencement*) is expected to provide an impetus for further growth in the financial performance of the CJKX Group.

Further, upon completion of the Proposed Acquisition, the enlarged CJ Century Group is expected to benefit from the potential synergies via greater economies of scale arising from the consolidation of operations, optimisation of resource utilisation and sharing of assets and management capabilities in view of (i) the larger network and client base of the enlarged CJ Century Group in the logistics industry, (ii) pooling of resources to improve operational efficiency and enhance operational synergies between the CJ Century Group and the CJKX Group and (iii) considerable scale of operations of the CJKX Group.

CJ Century recognises that the quality of services provided by its workforce to the customers is also a key differentiating factor between market players in the logistics industry. Hence, CJ Century will continue to invest in human capital to serve its customers better. In addition, CJ Century expects to retain the current senior management personnel and employees of the CJKX Group after the Proposed Acquisition to ensure smooth continuity of its business and operations.

Meanwhile, in the immediate term, the management of CJ Century will work towards smooth integration between both CJ Century Group and CJKX Group and continue to tread with caution in the current challenging operating environment attributable to the uncertain and challenging macroeconomic conditions.

(Source: Management of CJ Century, April 2020)

In the short term, both local and global economic prospects are expected to remain weak, attributable to prolonged geopolitical tensions, amidst the concern on trade war, which is further dampened by the outbreak of respiratory disease, affecting global trade and business confidence. As a result, the logistics industry in Malaysia is expected to remain challenging, with existing market players having to compete more aggressively for contracts through the development of better network and infrastructure, provision of higher quality of services and more cost-competitive pricing.

Given the significant headwinds to growth arising from COVID-19, the Government and Bank Negara Malaysia have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic including, amongst others:-

- (a) two economic stimulus packages amounting to RM250 billion were introduced to provide immediate relief to affected households and businesses;
- (b) public sector spending will be underpinned by the continuation of large-scale transport-related projects by public corporations and the implementation of more small-scale projects worth RM4 billion by the Federal Government; and
- (c) the overnight policy rate was reduced in January and March 2020 by a total of 50 basis points to 2.50% to provide a more accommodative monetary environment to support economic growth amid price stability.

(Source: Economic and Monetary Review 2019, Bank Negara Malaysia)

The longer term outlook of the logistics industry in Malaysia is expected to be supported and driven by:-

- (i) the Government's commitment and initiatives in upgrading logistics infrastructure and facilities in Malaysia including, amongst others:-
 - (a) undertaking an in-depth feasibility study on the development of Pulau Carey to make Port Klang as a regional maritime centre and cargo logistics hub;
 - (b) the allocation of RM50 million for the repair and maintenance of roads leading to Port Klang; and
 - (c) the introduction by the Royal Malaysian Customs Department of a deferred payment facility to expedite the clearance process of cross border transactions,as highlighted in the Budget 2020 by the Ministry of Finance, Malaysia; and
- (ii) robust manufacturing activities in Malaysia, with the estimated growth of the manufacturing sector of 4.1% in 2020 (*source: Economic Outlook 2020, Ministry of Finance*) prior to COVID-19 outbreak; and
- (iii) trade activities in Malaysia, with the projected increase in the wholesale and retail trade subsector of 7% in 2020 (*source: Economic Outlook 2020, Ministry of Finance*) prior to COVID-19 outbreak.

In view of the above and taking into consideration, amongst others, the historical financial performance of the CJKX Group (*as set out in Section 5, Appendix I of the Circular*) and the potential synergies to be realised pursuant to the Proposed Acquisition (*see Section 3.1 of this IAL for further details*), we view the longer term prospects of the enlarged CJ Century Group to be favourable.

3.6 Risk factors in relation to the Proposed Acquisition

In considering the Proposed Acquisition, the Non-Interested Shareholders are advised to give careful consideration to the risk factors as set out in Section 5, Part A of the Circular.

In view that both CJ Century Group and CJKX Group are principally involved in the logistics business, the business risk profile of CJ Century (*which includes any potential implication from the coronavirus (COVID-19) outbreak*) will not change significantly upon completion of the Proposed Acquisition.

Nonetheless, we wish to highlight some of the risk factors in relation to the Proposed Acquisition to the Non-Interested Shareholders as follows:-

- (i) reliance on key customers – as approximately 50% of CJKX's total revenue is derived from the contribution of 4 of its key customers, its future financial performance is somehow dependent upon maintaining a close business relationship with these key customers;
- (ii) non-realisation of anticipated benefits – the realisation of anticipated benefits and expected business synergies arising from the Proposed Acquisition is very much dependent upon amongst others, the successful implementation of the CJKX Group's business strategies and future plans to achieve its projected financial performance as well as smooth integration between both CJ Century Group and CJKX Group;

- (iii) impairment of goodwill – depending on the fair value of identifiable assets and liabilities of the CJKX Group at the completion of the Proposed Acquisition, goodwill may be recognised in the consolidated financial statements of CJ Century. Any impairment loss on the goodwill may adversely affect the financial performance and financial position of the CJ Century Group; and
- (iv) risk of dilution to minority shareholders' interest and the increased influence of CJ Asia in the Company - upon completion of the Proposed Acquisition, CJ Asia's equity interest in CJ Century will increase from approximately 30.89% as at the LPD to approximately 54.31%, with a corresponding dilution to the equity interest of other shareholders in CJ Century. Please refer to Section 3.7 of this IAL for further details.

As CJ Asia will remain a key decision maker in the financial and operating policies in the running of both CJ Century Group and CJKX Group after the Proposed Acquisition, such risk factors shall be minimised. Further, the increased equity participation of CJ Asia in CJ Century (*as a controlling shareholder of CJ Century*) reaffirms its commitment towards the CJ Century Group's success.

3.7 Implications arising from the voting outcome of the Proposed Exemption

You should note that the SC may consider granting the Proposed Exemption if CJ Asia and any persons acting in concert with it have satisfied amongst others, the following conditions pursuant to Paragraph 4.08(2) of the Rules:-

- (i) there has been no acquisition of shares or instruments convertible into shares and options in respect of shares (*other than subscriptions for new shares or new instruments convertible into or options in respect of new shares which have been disclosed in the whitewash circular*) by CJ Asia and any persons acting in concert with it during the 6-month period prior to the announcement of the Proposals on 12 February 2020 but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of CJ Century in relation to the Proposed Acquisition until the completion of the issuance of Consideration Shares ("**Disqualifying Transaction**"); and
- (ii) approval has been obtained from independent holders of voting shares or voting rights of CJ Century at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the Mandatory Offer from CJ Asia and any persons acting in concert with it.

An exemption granted will be invalidated if CJ Asia or any persons acting in concert with it has engaged or engages in a Disqualifying Transaction.

The implications of the Non-Interested Shareholders' votes on the Proposed Exemption to be tabled at the forthcoming EGM are set out in the ensuing sections.

3.7.1 If you VOTE IN FAVOUR of the Proposed Exemption

- (i) The SC would be able to consider the application by CJ Asia (*which will be submitted by CIMB, on behalf of CJ Asia*) for the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt CJ Asia from the obligation to undertake the Mandatory Offer to acquire the remaining CJ Century Shares not already owned by it upon completion of the Proposed Acquisition.

- (ii) Your approval of the Proposed Exemption will imply that you have agreed to waive your rights to a general offer from CJ Asia (*which shall be undertaken at a price no lower than the highest price paid by CJ Asia and any persons acting in concert with it for the CJ Century Shares in the past 6 months preceding the commencement of the offer*) and exempt CJ Asia from the obligation to undertake the Mandatory Offer arising from the increase in its shareholdings in CJ Century pursuant to the issuance of Consideration Shares upon completion of the Proposed Acquisition.
- (iii) It is pertinent to note that the Proposed Exemption will allow the shareholding of CJ Asia in CJ Century to increase from approximately 30.89% to approximately 54.31% upon completion of the Proposed Acquisition without being required to undertake the Mandatory Offer. On the other hand, the shareholdings held by the Non-Interested Shareholders in CJ Century will be diluted from approximately 69.11% to approximately 45.69%.

With a shareholding of more than 50% in CJ Century upon completion of the Proposed Acquisition, any further increase in the shareholding of CJ Asia in CJ Century (*including through subsequent purchases of CJ Century Shares in the open market*) would not trigger an obligation for CJ Asia to undertake a mandatory take-over offer provided the shareholding of CJ Asia in CJ Century remains more than 50% at all times.

Further, with the said shareholding in CJ Century, CJ Asia will have statutory control over CJ Century and unless it is required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, CJ Asia is able to (*through casting of their votes which represent approximately 54.31% of the total voting shares in CJ Century after the Proposed Acquisition*):-

- (a) vote through or vote down any ordinary resolutions (*as such resolutions only require approval from more than 50% of the total votes cast*); and
 - (b) vote down any special resolutions (*as such resolutions require approval from at least 75% of the total votes cast*).
- (iv) As the Proposed Acquisition and the Proposed Exemption are inter-conditional upon each other, without the Proposed Exemption, the Proposed Acquisition will not proceed. Therefore, voting in favour of the Proposed Exemption will enable CJ Century to benefit from the Proposed Acquisition (*if the Proposals are approved by the Non-Interested Shareholders*).

3.7.2 If you VOTE AGAINST the Proposed Exemption

- (i) The SC would not be able to consider the application by CJ Asia for the Proposed Exemption.
- (ii) In view of the inter-conditional nature of the Proposals as set out in Section 8, Part A of the Circular, in the event that the Proposed Exemption is not approved, CJ Century will not be able to undertake the Proposed Acquisition. Accordingly, CJ Century will not be able to realise the potential benefits arising from the Proposed Acquisition as detailed in Section 8 of this IAL.

4. DIRECTORS' INTENTION IN RELATION TO THE PROPOSALS

As at the LPD, save as disclosed below, the Directors of CJ Century do not have any interest, whether direct or indirect, in the CJ Century Shares. Their intention to vote in relation to the Proposals is as follows:-

Name	Direct		Indirect		Intention in relation to the Proposals
	No. of CJ Century Shares ('000)	% ⁽¹⁾	No. of CJ Century Shares ('000)	% ⁽¹⁾	
Datuk Lee Say Tshin	-	-	80 ⁽²⁾	0.02	Vote in favour
Teow Choo Hing	45,889	11.76	2,224 ⁽³⁾	0.57	Vote in favour
Yeap Khoo Soon Edwin	2,962	0.76	-	-	Vote in favour
Lee Eui Sung	-	-	500 ⁽³⁾	0.13	Abstain from voting

Notes:-

(1) Computed based on the total number of 390,260,990 CJ Century Shares (excluding treasury shares) as at the LPD.

(2) By virtue of his deemed interest through his wife and son in accordance with Section 8 of the Act.

(3) By virtue of his deemed interest through his wife in accordance with Section 8 of the Act.

In line with the Board's recommendation to the Non-Interested Shareholders to **VOTE IN FAVOUR** of the Proposals, (i) Datuk Lee Say Tshin, (ii) Teow Choo Hing and (iii) Yeap Khoo Soon Edwin intend to **VOTE IN FAVOUR** of the Proposals in respect of all their shareholdings in CJ Century.

As set out in Section 9, Part A of the Circular, Lee Eui Sung (*by virtue of him being a representative of CJ Asia on the Board*) is deemed interested in the Proposals. Accordingly, he will abstain and has undertaken to ensure that persons connected to him will also abstain from voting in respect of their shareholdings in CJ Century on the ordinary resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

5. FUTURE PLANS FOR THE CJ CENTURY GROUP AND ITS EMPLOYEES

Pursuant to Paragraph 8, Schedule 2: Part II of the Rules, CJ Asia has confirmed that they do not intend to effect any major change to the following:-

- (i) the continuation of the business of the CJ Century Group;
- (ii) the business of the CJ Century Group, including any plans to liquidate the CJ Century Group, sell any material assets or re-deploy the fixed assets or effect any other major change in the business of the CJ Century Group; and
- (iii) the continued employment of the employees or employment policies of the CJ Century Group,

except where such changes are in the ordinary course of the CJ Century Group's business or are necessary to rationalise or improve the CJ Century Group's operations and/or financial performance. CJ Asia shall retain the flexibility at any time to consider any options which are in the best interests of the CJ Century Group that may present themselves.

As at the LPD, save for the Proposed Acquisition, CJ Asia has no knowledge or has not entered into any negotiation or arrangement or understanding with any third party in relation to any significant change in the CJ Century Group's business and assets or the shareholding structure of CJ Century.

CJ Asia intends to maintain the listing status of CJ Century on the Main Market of Bursa Securities.

As at the LPD, CJ Asia is already a key decision maker in the financial and operating policies in the running of the CJ Century Group via its 30.89% equity interest in CJ Century and its representation on the Board. CJ Asia believes in the long-term growth prospects of the logistics industry in Malaysia and that the Proposed Acquisition shall, upon completion, place the enlarged CJ Century Group in a better position to benefit from economies of scale and to capitalise on any future opportunities, with the combined business operations, market share, financial resources, skills and technical expertise.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen, reviewed and accepted the contents of this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (*save for the views and recommendation of Mercury Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this IAL have been arrived at after due and careful consideration and there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of:-

- (i) the information relating to the CJKX Group and CJ Asia (*as extracted from information provided by the directors / management / appointed representatives of the CJKX Group*) is limited to ensuring that such information is accurately reproduced in this IAL; and
- (ii) the independent advice and expression of opinion by Mercury Securities in relation to the Proposals as set out in Part B of this Circular is limited to ensuring that accurate information in relation to the CJ Century Group was provided to Mercury Securities for its evaluation of the Proposals and to ensure that all information in relation to the CJ Century Group that are relevant to Mercury Securities' evaluation of the Proposals have been completely disclosed to Mercury Securities and that there is no other fact, the omission of which would make any information provided to Mercury Securities false or misleading.

7. FURTHER INFORMATION

The Non-Interested Shareholders are advised to refer to Part A of the Circular as well as the accompanying appendices for further details in relation to the Proposals.

8. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals holistically in accordance with Schedule 2: Part III of the Rules, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of the Company in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolutions to give effect to the Proposals at the forthcoming EGM of the Company.

The Proposed Exemption (*if granted*) will allow CJ Century to undertake the Proposed Acquisition (*if it is also approved by the Non-Interested Shareholders*). Accordingly, the potential advantages and disadvantages of the Proposals are as follows:-

Potential advantages	
(i)	<p>The Proposed Acquisition provides an opportunity for CJ Century to acquire a profitable complementary business in the logistics industry.</p> <p>Further, upon completion of the Proposed Acquisition, the enlarged CJ Century Group is expected to benefit from the potential synergies via greater economies of scale arising from the consolidation of operations, optimisation of resource utilisation and sharing of assets and management capabilities in view of (i) larger network and client base of the enlarged CJ Century Group in the logistics industry, (ii) pooling of resources to improve operational efficiency and enhance operational synergies between the CJ Century Group and the CJKX Group and (iii) considerable scale of operations of the CJKX Group.</p> <p>In addition, the Proposed Acquisition will also eliminate any potential conflict of interests and competition between the CJ Century Group and the CJKX Group within the same market segment in the future.</p>
(ii)	<p>The range of estimated value for the CJKX Group derived based on the DCF valuation model of between RM106.45 million and RM112.90 million represents a premium of 6.45% to 12.90% to the Purchase Consideration.</p>
(iii)	<p>The satisfaction of the entire Purchase Consideration via the issuance of Consideration Shares allows CJ Century to consider the Proposed Acquisition whilst conserving its cash reserves and without relying on additional borrowings and/or equity fund raising.</p> <p>Further, the Issue Price:-</p> <p>(a) is higher than the daily VWAPs of the CJ Century Shares for almost all market days (<i>save for 4 market days in February 2019</i>), representing approximately 98.7% of the total market days (<i>with trading volume</i>) for the past 12 months prior to the LTD and up to the LPD;</p> <p>(b) represents a premium of RM0.1150 (29.87%) over the last traded market price of the CJ Century Shares on the LTD and a premium of between RM0.0615 (14.03%) and RM0.1215 (32.10%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the CJ Century Shares up to the LTD; and</p> <p>(c) represents a premium of RM0.2150 (75.44%) over the last traded market price of the CJ Century Shares on the LPD and a premium of RM0.2125 (73.91%) over the 5-day VWAP of the CJ Century Shares up to the LPD.</p> <p>In addition, the issuance of Consideration Shares will strengthen the CJ Century Group's financial position with:-</p> <p>(a) an increase in the consolidated NA of CJ Century from RM315.86 million (<i>as at 31 December 2019</i>) to RM414.91 million (<i>upon completion of the Proposed Acquisition</i>); and</p> <p>(b) a decrease in the gearing of CJ Century Group from 0.61 times (<i>as at 31 December 2019</i>) to 0.47 times (<i>upon completion of the Proposed Acquisition</i>).</p>
(iv)	<p>The increased participation of CJ Asia in CJ Century reaffirms its commitment to the enlarged CJ Century Group and that it is not their intention to monetise their investments in the CJKX Group.</p>
(v)	<p>The Proposed Acquisition is expected to contribute positively to the earnings and EPS of CJ Century in view of the CJKX Group's historical financial performance as well as the potential synergistic benefits of the Proposed Acquisition to be realised. As illustrated in Section 6.4, Part A of the Circular, the Proposed Acquisition will improve the financial performance of the CJ Century Group from a LPS of 1.93 sen for the FYE 31 December 2019 to an EPS of 0.96 sen upon completion of the Proposed Acquisition.</p>

Potential disadvantages

- (i) The Proposed Exemption will allow the shareholding of CJ Asia in CJ Century to increase from approximately 30.89% to approximately 54.31% upon completion of the Proposed Acquisition without being required to undertake the Mandatory Offer. On the other hand, the shareholdings held by the Non-Interested Shareholders in CJ Century will be diluted from approximately 69.11% to approximately 45.69%.
- With a shareholding of more than 50% in CJ Century upon completion of the Proposed Acquisition, any further increase in the shareholding of CJ Asia in CJ Century (*including through subsequent purchases of CJ Century Shares in the open market*) would not trigger an obligation for CJ Asia to undertake a mandatory take-over offer provided the shareholding of CJ Asia in CJ Century remains more than 50% at all times.
- Further, with the said shareholding in CJ Century, CJ Asia will have statutory control over CJ Century and unless it is required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, CJ Asia is able to (*through casting of their votes which represent approximately 54.31% of the total voting shares in CJ Century after the Proposed Acquisition*):-
- (a) vote through or vote down any ordinary resolutions (*as such resolutions only require approval from more than 50% of the total votes cast*); and
 - (b) vote down any special resolutions (*as such resolutions require approval from at least 75% of the total votes cast*).
- (ii) The Proposed Acquisition will result in a decrease in the consolidated NA per CJ Century Share from RM0.81 (*as at 31 December 2019*) to RM0.70 (*upon completion of the Proposed Acquisition*), attributable to the dilutive impact from the issuance of 200,000,000 Consideration Shares at the Issue Price of RM0.50 (*which represents a discount of 38.27% to the audited consolidated NA per CJ Century Share as at 31 December 2019*) and estimated expenses relating to the Proposals of approximately RM0.95 million.
- (iii) In view that the Issue Price of RM0.50 is lower than the consolidated NA per CJ Century Share of RM0.81 as at 31 December 2019, this would mean that CJ Asia will obtain statutory control over CJ Century at a price representing a discount of 38.27% to the consolidated NA per CJ Century Share.

Premised on the above and our evaluation of the Proposals on a holistic basis, we are of the view that, on the basis of the information available to us, the Proposals are **fair and reasonable** and are **not detrimental** to the interests of the Non-Interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the Proposals to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

DENIS LIM
Director / Head of Corporate Finance

ATTACHMENT I – INFORMATION ON CJ CENTURY

1. HISTORY AND PRINCIPAL ACTIVITIES

CJ Century was incorporated in Malaysia as a private limited company on 24 March 1997 under the Companies Act, 1965 under the name of Century Logistics Holdings Sdn Bhd. The Company was subsequently converted into a public limited company and assumed the name of Century Logistics Holdings Berhad on 20 March 2000. CJ Century was listed on Bursa Securities on 7 June 2001. On 4 May 2018, the Company changed its name from Century Logistics Holdings Berhad to CJ Century Logistics Holdings Berhad.

The Company is principally an investment holding company. Further information on its subsidiaries is set out in Section 5 of this Attachment I.

2. SHARE CAPITAL

2.1 Issued share capital

The issued share capital of CJ Century as at the LPD is as follows:-

	No. of CJ Century Shares ('000)	Amount (RM'000)
Issued share capital	394,230 ⁽¹⁾	200,043

Note:-

(1) Including 3,968,900 treasury shares as at the LPD.

The holders of CJ Century Shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry 1 vote per share and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares, all rights are suspended until those shares are re-issued.

2.2 Changes in the issued share capital

Since the end of the FYE 31 December 2019 up to the LPD, there are no changes in CJ Century's issued share capital.

2.3 Convertible securities

As at the LPD, CJ Century does not have any convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of CJ Century and their shareholdings in CJ Century based on the Register of Substantial Shareholders as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of CJ Century Shares ('000)	% ⁽¹⁾	No. of CJ Century Shares ('000)	% ⁽¹⁾
CJ Asia	120,544	30.89	-	-
Teow Choo Hing	45,889	11.76	2,224 ⁽²⁾	0.57

Notes:-

(1) Computed based on the total number of 390,260,990 CJ Century Shares (excluding treasury shares) as at the LPD.

(2) By virtue of his deemed interest through his wife in accordance with Section 8 of the Act.

ATTACHMENT I – INFORMATION ON CJ CENTURY (cont'd)**4. DIRECTORS**

As at the LPD, the details of the Directors of CJ Century are as follows:-

Name / Designation	Nationality	Address
Datuk Lee Say Tshin <i>(Independent Non-Executive Chairman)</i>	Malaysian	37, Jalan Setiabakti, Damansara Heights, 50480 Kuala Lumpur, Malaysia
Teow Choo Hing <i>(Managing Director)</i>	Malaysian	11, Jalan Setiajaya, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia
Yeap Khoo Soon Edwin <i>(Executive Director)</i>	Malaysian	No. 6, Jalan PJU3/28, Sunway Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
Hong Sung Yong <i>(Non-Independent Non-Executive Director)</i>	Korean	05209, 33, Songpa-daero 32-gil, Songpa-gu, Seoul, South Korea
Ahn Jae Ho <i>(Non-Independent Non-Executive Director)</i>	Korean	1426-1005, 130, Mokdongdong-ro, Yangcheon-gu, Seoul, 08018, Republic of Korea
Lee Eui Sung <i>(Non-Independent Non-Executive Director)</i>	Korean	Unit No. AA-13A-02, 10 Mont Kiara Damai, No. 4, Jalan Kiara 1, Mont Kiara, 50480 Kuala Lumpur
Park Chul Moon <i>(Non-Independent Non-Executive Director)</i>	Korean	118-201, 947, Lottecastle Apt, Wolgye-dong, Nowon-gu, Seoul, 01883 Republic of Korea, South Korea
Saryani Binti Che Ab Rahman <i>(Independent Non-Executive Director)</i>	Malaysian	No. 2, Jalan Nova U5/91C, Subang Bestari, 40150 Shah Alam, Selangor Darul Ehsan
Winston Tan Kheng Huang <i>(Independent Non-Executive Director)</i>	Malaysian	Blk 38, Jalan Rumah Tinggi, #21-256, Singapore 150038

The interests of the Directors of CJ Century in the Century Shares as at the LPD are set out in Section 1.7(iii), Attachment III of this IAL.

5. SUBSIDIARIES, ASSOCIATED COMPANY AND JOINT VENTURE

The details of the subsidiaries of CJ Century as at the LPD are as follows:-

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
CJ Century Logistics Sdn Bhd	Malaysia	100	Total logistics and courier services
CJ Century Technology Sdn Bhd	Malaysia	100	Procurement logistics services
Century Logistics Sdn Bhd	Malaysia	100	Investment holding
CJ Century Forwarding Sdn Bhd	Malaysia	70	Freight forwarding and shipping agency

ATTACHMENT I – INFORMATION ON CJ CENTURY (cont'd)

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
Storewell (M) Sdn Bhd	Malaysia	100	Bonded warehousing
CJ Century DMS Sdn Bhd	Malaysia	70	Data management solutions
CJ Procurement Sdn Bhd	Malaysia	100	Procurement logistics services
Century-YES Logistics (Yichun) Co Ltd	People's Republic of China	75	In the process of being wound up

As at the LPD, CJ Century does not have any associated company and joint venture.

6. PROFIT AND DIVIDEND RECORD

A summary of the CJ Century Group's results based on the audited consolidated financial statements of CJ Century for the FYE 31 December 2017, 31 December 2018 and 31 December 2019 is as follows:-

	FYE 31 December		
	2019 (RM'000)	2018 (RM'000)	2017 (RM'000)
Revenue	491,985	400,998	294,597
(Loss before taxation) / PBT	(4,553)	13,622	21,113
Taxation	(2,857)	(3,740)	(5,855)
(Loss after taxation) / PAT	(7,410)	9,882	15,258
(Loss after taxation) / PAT attributable to:-			
- owners of the Company	(7,531)	9,784	15,222
- non-controlling interests	121	98	36
	(7,410)	9,882	15,258
(LPS) / EPS			
- Basic (sen)	(1.93)	2.49	3.89
- Diluted (sen)	(1.93)	2.48	3.82
Net dividend per ordinary share declared in respect of the respective financial period / year (sen)	-	0.75	1.50

Save for the segment loss from courier services operation (*business segment commenced during the FYE 31 December 2018*) amounting to RM16.88 million and RM6.74 million for the FYE 31 December 2019 and 31 December 2018 respectively, there is no material exceptional item in the audited consolidated financial statements of CJ Century for the past 3 financial years up to the FYE 31 December 2019.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

ATTACHMENT I – INFORMATION ON CJ CENTURY (cont'd)
7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of CJ Century based on its audited consolidated financial statements for the FYE 31 December 2019 is as follows:-

	As at 31 December	
	2019 (RM'000)	2018 (RM'000)
ASSETS		
Non-current assets		
Property, plant and equipment	385,451	335,035
Right-of-use assets ⁽¹⁾	9,926	-
Goodwill on consolidation	1,443	1,443
Deferred tax assets	5	5
Total non-current assets	396,825	336,483
Current assets		
Inventories	9,539	18,854
Trade receivables	91,673	75,650
Other receivables, deposits and prepaid expenses	39,645	28,244
Amount owing by affiliated companies	7,455	4,443
Tax recoverable	2,786	2,244
Investment in money market funds	41,953	62,060
Deposits, cash and bank balances	23,046	17,028
Total current assets	216,097	208,523
TOTAL ASSETS	612,922	545,006
EQUITY AND LIABILITIES		
EQUITY		
Share capital	200,043	200,043
Treasury shares	(2,506)	(2,506)
Reserves	118,327	125,416
Equity attributable to owners of the Company	315,864	322,953
Non-controlling interests	929	955
TOTAL EQUITY	316,793	323,908
LIABILITIES		
Non-current and deferred liabilities		
Hire-purchase payables	14,605	11,305
Lease liabilities ⁽¹⁾	2,855	-
Long-term borrowings	144,553	99,191
Deferred tax liabilities	8,560	8,967
Total non-current and deferred liabilities	170,573	119,463
Current liabilities		
Trade payables	29,332	35,987
Other payables and accrued expenses	53,433	41,149
Amount owing to affiliated companies	703	2,862
Lease liabilities ⁽¹⁾	7,229	-
Hire-purchase payables	5,668	5,151
Short-term borrowings	26,760	16,318
Tax liabilities	2,431	168
Total current liabilities	125,556	101,635
TOTAL LIABILITIES	296,129	221,098
TOTAL EQUITY AND LIABILITIES	612,922	545,006
Number of ordinary shares in issue (excluding treasury shares) as at the end of the respective financial period / year ('000)	390,261	390,261
NA per ordinary share, excluding treasury shares (RM)	0.81	0.83

Note:-

(1) Arising from the adoption of Malaysian Financial Reporting Standard ("MFRS") 16 Leases, which is effective for the financial period beginning 1 January 2019. For further details of the impact of the adoption of MFRS 16 by the Group, please refer to the audited consolidated financial statements of CJ Century for the FYE 31 December 2019 as announced on Bursa Securities on 27 February 2020.

ATTACHMENT I – INFORMATION ON CJ CENTURY (cont'd)

As at the LPD, save for any potential implication from the coronavirus (COVID-19) outbreak, there is no known material change in the financial position of CJ Century subsequent to the latest audited consolidated financial statements of CJ Century for the FYE 31 December 2019.

As at the LPD, within the knowledge of CJ Asia, there has been no material change in the financial position or prospects of CJ Century since its audited consolidated financial statements for the FYE 31 December 2018 were laid before its shareholders at its annual general meeting held on 30 April 2019 other than as disclosed in the announcements made by CJ Century on Bursa Securities, which include its quarterly financial results and audited consolidated financial statements for the FYE 31 December 2019, from time to time and any potential implication from the coronavirus (COVID-19) outbreak.

8. ACCOUNTING POLICIES

The audited consolidated financial statements of CJ Century for the FYE 31 December 2017, 31 December 2018 and 31 December 2019 have been prepared based on approved accounting standards in Malaysia and there was no audit qualification for CJ Century's financial statements for the respective years under review.

Save for the adoption of MFRS 16 *Leases*, which is effective for the financial period beginning 1 January 2019 (*further information on the impact of the adoption of MFRS 16 Leases is disclosed in Note 2 to the audited consolidated financial statements of CJ Century for the FYE 31 December 2019*), there is no change in the accounting standards adopted by CJ Century which would result in a material variation to the comparable figures for the audited consolidated financial statements of CJ Century for the FYE 31 December 2017, 31 December 2018 and 31 December 2019.

9. BORROWINGS

As at 31 March 2020, which is not more than 3 months preceding the LPD, the CJ Century Group has total outstanding interest-bearing borrowings (*all secured*) of approximately RM187.22 million as follows:-

Borrowings	Non-current (RM'000)	Current (RM'000)	Total (RM'000)
Term loans	137,419	28,347	165,766
Hire-purchase payables	13,349	8,101	21,450
Total borrowings	150,768	36,448	187,216

10. CONTINGENT LIABILITIES

The details on contingent liabilities of the CJ Century Group as at the LPD are as set out in Section 6, Appendix IV of the Circular.

11. MATERIAL LITIGATION

The details on material litigation relating to the CJ Century Group as at the LPD are as set out in Section 4, Appendix IV of the Circular.

12. MATERIAL CONTRACTS

The details on material contracts entered into by the CJ Century Group (*not being contracts entered into in the ordinary course of business*) within 2 years immediately preceding the announcement of the Proposals and up to the LPD are as set out in Section 3, Appendix IV of the Circular.

13. HISTORICAL SHARE PRICES

The closing market prices of the CJ Century Shares as traded on the Main Market of Bursa Securities (i) during the period commencing 6 months preceding the announcement of the Proposals on 12 February 2020 and up to the LPD, (ii) on the LTD and (iii) on the LPD are as follows:-

	Closing market prices (RM)
<u>2019</u>	
August	0.380
September	0.400
October	0.370
November	0.335
December	0.395
<u>2020</u>	
January	0.370
February	0.360
March	0.240
Last traded market price on the LTD	0.385
Last traded market price on the LPD	0.285

During the period commencing 6 months preceding the announcement of the Proposals on 12 February 2020 and up to the LPD:-

- (i) the highest closing market price of CJ Century Share was RM0.420 (on 12 September 2019); and
- (ii) the lowest closing market price of CJ Century Share was RM0.220 (on 19 March 2020).

(Source: Bloomberg)

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

ATTACHMENT II – INFORMATION ON CJ ASIA

1. HISTORY AND PRINCIPAL ACTIVITIES

CJ Asia was incorporated in Singapore as a private company on 2 March 2006 under the laws of Singapore and registered with the Accounting and Corporate Regulatory Authority. CJ Asia assumes its present name on 2 March 2017.

The principal activities of CJ Asia are investment holding and the provision of value added logistics services.

2. SHARE CAPITAL

The issued share capital of CJ Asia as at the LPD is as follows:-

	No. of shares (‘000)	Amount (‘000)
Ordinary shares	54,000	SGD54,000
Redeemable convertible preference shares (“RCPS”)	130,000	SGD116,700
Ordinary shares	82,890	USD82,890

Notes:-

SGD – Singapore Dollar

USD – United States Dollar

The rights of the holders of ordinary shares and RCPS in respect of capital distribution, dividends and voting are as set out below:-

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to 1 vote per share at meetings of the company. All ordinary shares rank equally with regard to the company’s residual assets.

RCPS

The holders of RCPS are entitled to, amongst others:-

- (i) a fixed non-cumulative preference dividend of 2.784% per annum;
- (ii) a return of capital in preference to holders of ordinary shares when the company is wound up but only to the extent of capital sum plus any declared preference dividends which are outstanding. The holders of RCPS do not have the right to further participation in the profits, and in the assets (*in case of liquidation*) of the company;
- (iii) same rights as ordinary shareholders as regard to receiving notices, reports and attending general meetings of the company;
- (iv) limited voting right i.e. only in the circumstances involving abrogation of the rights attached to the RCPS and winding up of the company;
- (v) an option to convert each RCPS to 1 new ordinary share in the company. However, such option is only exercisable by the holders of RCPS after 10 years from the date of issuance of the RCPS (14 November 2019); and
- (iv) redemption proceeds, in the event the company exercises its option to redeem the RCPS. Such redemption option is only exercisable by the company after 7 years from the date of issuance of the RCPS (14 November 2019).

ATTACHMENT II – INFORMATION ON CJ ASIA (cont'd)

3. SHAREHOLDERS

As at the LPD, the immediate and ultimate holding companies of CJ Asia are CJ Logistics Corporation⁽¹⁾ (holding all 136.89 million ordinary shares in CJ Asia) and CJ Corporation⁽²⁾ respectively. Both CJ Logistics Corporation and CJ Corporation are listed on the Korea Exchange.

As at the LPD, all 130.00 million RCPS are held by CS Partnership 2019-1 Limited Company, which is owned by Kim Young Kwan and Kim Youngsoon, each holding 50% respectively.

Notes:-

- (1) As at the LPD, the directors of CJ Logistics Corporation are (i) Park Keun Hee, (ii) Park Keun Tae, (iii) Kim Chun Hak, (iv) Gwon Do-yeop, (v) Yun Yeong-seon, (vi) Jung Gap-young and (vii) Song Young-seung.
- (2) As at the LPD, the directors of CJ Corporation are (i) Sohn Kyung Shik, (ii) Park Keun Hee, (iii) Kim Hong Ki, (iv) Song Hyun Seung, (v) Ryu Chul Kyu, (vi) Cheon Sung Kwan and (vii) Kim Yeon Geun.

4. DIRECTORS

As at the LPD, the details of the directors of CJ Asia are as follows:-

Name / Designation	Nationality	Address
Hong Sung Yong (Director)	Korean	05209, 33, Songpa-daero 32-gil, Songpa-gu, Seoul, South Korea
Yoo Jung Keun (Director)	Korean	104-803 (Dogok-dong, Kyungnam Apt.), 209, Nonhyeon-ro, Gangnam-gu, Seoul, Korea
Sim Jae Hun (Director)	Korean	119-101 (Maesan-ro 2-ga, Daehan Daewoo Apt.), 477, Gwonseon-ro, Paldal-gu, Suwon-si, Gyeonggi-do, Korea
Min Sun Gi (Managing Director)	Korean	47 Toh Tuck Road, #02-21, The Beverly, Singapore 596722

As at the LPD, the directors of CJ Asia do not have any interest, whether direct or indirect, in any ordinary shares or RCPS of CJ Asia.

5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE

The details of the subsidiaries and associated companies of CJ Asia as at the LPD are as follows:-

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
<u>Subsidiaries</u>			
CJ GLS (C) Shanghai Co., Ltd	China	100	Warehousing, logistics services
CJ GLS (H.K.) Limited	Hong Kong	100	Freight forwarding and inland transportation for air and sea cargo
PT CJ Logistics Indonesia	Indonesia	95	Freight forwarding

ATTACHMENT II – INFORMATION ON CJ ASIA (cont'd)

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
CJKX	Malaysia	100	Investment holding, provision of total logistics solutions and trading in resin products
CJKX Forwarding	Malaysia	49 ⁽¹⁾⁽²⁾	Providing forwarding and its related services
EC Distribution	Malaysia	100	Providing warehousing services
EC Services	Malaysia	49 ⁽¹⁾⁽³⁾	Providing transport and haulage services
Tad Raya	Malaysia	100	Providing warehousing and storage services
CJ Logistics Philippines Corporation	Philippines	100	Freight forwarding and shipping
CJ Logistics Conpac Pte Ltd	Singapore	100	Operating of container freight station and related services
CJ korea express Shenzhen Co., Ltd	China	90.91	Warehousing, logistics services
CJ Logistics (Thailand) Co., Ltd ⁽⁴⁾	Thailand	99.9	Freight forwarding and inland transportation for air and sea cargo
CJ korea express Freight Vietnam Co., Ltd ⁽⁵⁾	Vietnam	49	Freight forwarding and shipping
CJ korea express Vietnam Co., Ltd ⁽⁶⁾	Vietnam	51	Freight forwarding and shipping
PT CJ korea express Resources Indonesia	Indonesia	99	Coal trading and transportation
PT CJ Logistics Nusantara ⁽⁵⁾	Indonesia	49	Transportation and warehousing
PT CJ Logistics Service Indonesia ⁽⁵⁾	Indonesia	49	Transportation
PT CJ Logistics Warehouse Service Indonesia	Indonesia	67	Transportation and warehousing
CJ Logistics RT Myanmar Company Limited	Myanmar	70	Logistics services
CJ Century ⁽⁷⁾⁽⁸⁾	Malaysia	30.89	Logistics services
JL Holdings (Thailand) Co Ltd	Thailand	100	Logistics services
JL Transport (Thailand) Co Ltd	Thailand	100	Logistics services
<u>Associated companies</u>			
Als Bac Ninh Company Limited	Vietnam	30	Logistics services
Thanc Phouc VRG Port and Logistics Joint Stock Company	Vietnam	49	Logistics services
CJ International Asia Pte Ltd	Singapore	30	Wholesale trading and management consultancy services

ATTACHMENT II – INFORMATION ON CJ ASIA (cont'd)

Notes:-

- (1) CJKX (a wholly-owned subsidiary of CJ Asia) is the registered shareholder of the 49% equity interest in CJKX Forwarding and EC Services. However, CJKX also holds call options on the remaining 51% shareholdings in the said companies.
- (2) Fadil Bin Saharudin is the registered shareholder of the remaining 51% equity interest in CJKX Forwarding.
- (3) Fadil Bin Saharudin and Zurkarnain Bin Aziddin are the registered shareholders of the remaining 51% equity interest in EC Services, each holding 25.5% respectively.
- (4) CJ Asia has 99% voting rights and 99.9% share of the profits in CJ Logistics (Thailand) Co., Ltd.
- (5) CJ korea express Freight Vietnam Co., Ltd, PT CJ Logistics Nusantara and PT CJ Logistics Service Indonesia are classified as subsidiaries as CJ Asia is able to govern the financial and operating policies of these entities and receives substantially of all the benefits related to their operations and net assets by virtue of an agreement with an individual who holds 51% of the equity interest in trust for CJ Asia.
- (6) The remaining 49% of equity interest is held in trust by an individual. CJ Asia is able to govern the financial and operating policies of CJ korea express Vietnam Co., Ltd and receives substantially of all the benefits related to its operations and net assets based on the terms of agreements with the individual.
- (7) CJ Century is classified as a subsidiary as CJ Asia is able to govern the financial and operating policies of the entity through board of directors composition and majority voting rights by virtue of the distribution of shareholders of CJ Century.
- (8) Information on the subsidiaries of CJ Century is set out in Section 5, Attachment I of this IAL.

As at the LPD, CJ Asia does not have any joint venture.

6. PROFIT AND DIVIDEND RECORD

A summary of CJ Asia's results based on its audited financial statements for the FYE 31 December 2016, 31 December 2017 and 31 December 2018 is as follows:-

	FYE 31 December		
	2018 (SGD'000)	2017 (SGD'000)	2016 (SGD'000)
Revenue	380,642	179,003	144,604
(Loss before taxation) / PBT	(2,269)	(1,836)	1,587
Taxation	(102)	(199)	(824)
(Loss after taxation) / PAT ⁽¹⁾	(2,371)	(2,035)	763
Basic (LPS) / EPS ⁽²⁾⁽³⁾	(1.73)	(1.49)	0.56
Net dividend per share declared in respect of the respective financial year (cent)	-	-	-

Notes:-

- (1) As set out in the audited financial statements of CJ Asia, the company needs not prepare consolidated financial statements as it is a wholly-owned subsidiary of CJ Logistics Corporation which prepares consolidated financial statements. Accordingly, the audited financial statements of CJ Asia do not present any (loss) / profit attributable to the non-controlling interests.
- (2) The basic (LPS) / EPS (which is computed based on loss after taxation or PAT (as the case may be) divided by the total number of 136,890,000 ordinary shares in CJ Asia) is not disclosed in the audited financial statements of CJ Asia and is shown for illustration purposes only.
- (3) The company does not have any dilutive potential ordinary shares. Accordingly, the diluted EPS is not presented.

Save for the recognition of allowances for impairment losses amounting to SGD4.39 million and SGD2.46 million for the FYE 31 December 2018 and 31 December 2017 respectively, there is no material exceptional item in the audited financial statements of CJ Asia for the past 3 financial years up to the FYE 31 December 2018.

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of CJ Asia based on its audited financial statements for the FYE 31 December 2018 is as follows:-

	As at 31 December	
	2018 (SGD'000)	2017 (SGD'000)
ASSETS		
Non-current assets		
Property, plant and equipment	27,638	28,727
Goodwill on business acquisition	24,841	24,841
Intangible assets	398	168
Subsidiaries	136,432	127,004
Associate	33,395	33,395
Total non-current assets	222,704	214,135
Current assets		
Trade receivables	20,056	13,521
Other receivables and prepayments	117,998	95,424
Cash and cash equivalents	11,576	9,316
Total current assets	149,630	118,261
TOTAL ASSETS	372,334	332,396
EQUITY AND LIABILITIES		
EQUITY		
Share capital	167,626	167,626
Merger reserve	505	505
Accumulated losses	(18,640)	(16,259)
TOTAL EQUITY	149,491	151,872
LIABILITIES		
Current liabilities		
Loans and borrowings	211,059	172,425
Trade payables	5,970	2,482
Other payables	5,814	5,617
Total current liabilities	222,843	180,524
TOTAL LIABILITIES	222,843	180,524
TOTAL EQUITY AND LIABILITIES	372,334	332,396

As at the LPD, save for the issuance of 130,000,000 RCPS to CS Partnership 2019-1 Limited Company for a consideration of approximately SGD11.67 million on 14 November 2019, there is no known material change in the financial position of CJ Asia subsequent to the latest audited financial statements of CJ Asia for the FYE 31 December 2018.

8. ACCOUNTING POLICIES

The audited financial statements of CJ Asia for the FYE 31 December 2016, 31 December 2017 and 31 December 2018 have been prepared based on approved accounting standards in Singapore and there was no audit qualification for CJ Asia's financial statements for the respective years under review.

There is no change in the accounting standards adopted by CJ Asia which would result in a material variation to the comparable figures for the audited financial statements of CJ Asia for the FYE 31 December 2016, FYE 31 December 2017 and 31 December 2018.

ATTACHMENT III – FURTHER INFORMATION

1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES**1.1 By CJ Asia and any persons acting in concert with it****(i) Disclosure of interests in CJ Century**

Save as disclosed below, CJ Asia or any persons acting in concert with it do not have any interest, whether direct or indirect, in any voting shares or convertible securities of CJ Century as at the LPD:-

Name	Direct		Indirect	
	No. of CJ Century Shares	% ⁽¹⁾	No. of CJ Century Shares	% ⁽¹⁾
CJ Asia	120,544,236	30.89	-	-

Note:-

(1) Computed based on the total number of 390,260,990 CJ Century Shares (excluding treasury shares) as at the LPD.

(ii) Dealings in the securities of CJ Century

CJ Asia or any persons acting in concert with it have not dealt, directly or indirectly, in any voting shares or convertible securities of CJ Century during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

1.2 By the directors of CJ Asia**(i) Disclosure of interests in CJ Century**

The directors of CJ Asia do not have any interest, whether direct or indirect, in any voting shares or convertible securities of CJ Century as at the LPD.

(ii) Dealings in the securities of CJ Century

The directors of CJ Asia have not dealt, directly or indirectly, in any voting shares or convertible securities of CJ Century during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

1.3 By the persons who have irrevocably committed themselves to vote in favour or against the Proposals

As at the LPD, there are no persons who have irrevocably committed themselves to vote in favour or against the Proposals.

1.4 By the persons with whom CJ Asia or any persons acting in concert with it has any arrangement over the CJ Century Shares

As at the LPD, there are no persons with whom CJ Asia or any persons acting in concert with it has entered into any arrangement, including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing with the CJ Century Shares.

1.5 By the persons with whom CJ Asia or any persons acting in concert with it has borrowed or lent

As at the LPD, there are no persons with whom CJ Asia or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of CJ Century.

1.6 By CJ Century

(i) Disclosure of interests in CJ Asia

CJ Century does not have any interest, whether direct or indirect, in any voting shares or convertible securities of CJ Asia as at the LPD.

(ii) Dealings in the securities of CJ Asia

CJ Century has not dealt, directly or indirectly, in any voting shares or convertible securities of CJ Asia during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

(iii) Dealings in the securities of CJ Century

CJ Century has not dealt, directly or indirectly, in any of its own voting shares or convertible securities during the period commencing 6 months prior to the announcement of the Proposals and up to the LPD.

1.7 By the Directors of CJ Century

(i) Disclosure of interests in CJ Asia

The Directors of CJ Century do not have any interest, whether direct or indirect, in any voting shares or convertible securities of CJ Asia as at the LPD.

(ii) Dealings in the securities of CJ Asia

The Directors of CJ Century have not dealt, directly or indirectly, in any voting shares or convertible securities of CJ Asia during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD.

(iii) Disclosure of interests in CJ Century

Save as disclosed below, the Directors of CJ Century do not have any interest, whether direct or indirect, in any voting shares or convertible securities of CJ Century as at the LPD:-

Name	Direct		Indirect	
	No. of CJ Century Shares	% ⁽¹⁾	No. of CJ Century Shares	% ⁽¹⁾
Datuk Lee Say Tshin	-	-	80,000 ⁽²⁾	0.02
Teow Choo Hing	45,889,394	11.76	2,224,416 ⁽³⁾	0.57
Yeap Khoo Soon Edwin	2,962,300	0.76	-	-
Lee Eui Sung	-	-	500,000 ⁽³⁾	0.13

ATTACHMENT III – FURTHER INFORMATION (cont'd)

Notes:-

- (1) Computed based on the total number of 390,260,990 CJ Century Shares (excluding treasury shares) as at the LPD.
- (2) By virtue of his deemed interest through his wife and son in accordance with Section 8 of the Act.
- (3) By virtue of his deemed interest through his wife in accordance with Section 8 of the Act.

(iv) Dealings in the securities of CJ Century

Save as disclosed below, the Directors of CJ Century have not dealt, directly or indirectly, in any voting shares or convertible securities of CJ Century during the period beginning 6 months prior to the announcement of the Proposals and up to the LPD:-

Name of Directors of CJ Century	Date of transaction	Nature of transaction	No. of CJ Century Shares	Transacted price (RM)
Teow Choo Hing	10.03.2020	Acquisition	500,000	0.3236
Yeap Khoo Soon Edwin	17.04.2020	Acquisition	352,300	0.2500

1.8 By the persons with whom CJ Century or any persons acting in concert with it has any arrangement over the CJ Century Shares

As at the LPD, there are no persons with whom CJ Century or any persons acting in concert with it has entered into any arrangement, including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing with the CJ Century Shares.

1.9 By the persons with whom CJ Century or any persons acting in concert with it has borrowed or lent

As at the LPD, there are no persons with whom CJ Century or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of CJ Century.

1.10 By Mercury Securities and funds whose investments are managed by Mercury Securities on a discretionary basis ("Discretionary Funds")Disclosure of interests in CJ Century

Mercury Securities and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of CJ Century as at the LPD.

2. ARRANGEMENT AFFECTING DIRECTORS OF CJ CENTURY

- (i) As at the LPD, no payment or other benefit will be made or given to any Director of CJ Century as compensation for loss of office or otherwise in connection with the Proposals.
- (ii) As at the LPD, there is no agreement or arrangement between any Director of CJ Century and any other person which is conditional on or dependent upon the outcome of the Proposals or otherwise connected with the outcome of the Proposals.
- (iii) As at the LPD, CJ Asia has not entered into any material contract in which any Director of CJ Century has a material personal interest.

ATTACHMENT III – FURTHER INFORMATION *(cont'd)*

- (iv) As at the LPD, no agreement, arrangement or understanding exists between CJ Asia or any persons acting in concert with it and any of the Directors or recent Directors of CJ Century, holders of voting shares or voting rights or recent holders of voting shares or voting rights of CJ Century having any connection with or dependence upon the Proposals.

For the purpose of this paragraph, the term “recent Directors” or “recent holders of voting shares or voting rights” shall be such person who was during the period beginning 6 months prior to the announcement of the Proposals, a Director or a holder of voting shares or voting rights, as the case may be, of CJ Century.

3. SERVICE CONTRACTS

As at the LPD, the CJ Century Group does not have any service contracts with any directors or proposed directors, which have been entered into or amended within 6 months before the announcement of the Proposals or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAL.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
--

FURTHER INFORMATION ON THE CJKX GROUP

1. HISTORY AND BUSINESS

CJKX was incorporated in Malaysia on 8 January 1997 under the Act as a private limited company and it commenced its business on 8 January 1997. The principal activities of CJKX are investment holding, the provision of total logistics solutions and trading in resin products, while the principal activities of the companies within the CJKX Group are set out in **Section 4** below. The CJKX Group's principal market for its services is Malaysia.

The business activities of the CJKX Group are as follows:

- (i) providing optimized and sustainable external and internal warehousing services to its customers through its owned and rented warehouses located in the main states of Malaysia. As at the LPD, the CJKX Group owns one (1) warehouse in Selangor, and rents four (4) other warehouses, of which three (3) are situated in Selangor and one (1) in Penang;
- (ii) providing transportation services for various types of containers, general and special cargo, supported with a fleet size of nineteen (19) prime movers, thirteen (13) prime movers and curtain siders, sixty-four (64) trailers, seven (7) tipping trailers, seven (7) 8-tonner trucks and three (3) 3-tonner trucks;
- (iii) assisting with custom clearance of the goods transported for its customers at the main ports of Malaysia;
- (iv) providing factory logistics services which includes material import handling for bulk shipment, local finished goods distribution as well as export handling; and
- (v) providing supply chain and logistics innovation for various customers.

These business activities are mainly carried out by CJKX which has contributed approximately 99% to the total revenue of the CJKX Group for the FYE 31 December 2018. The other companies within the CJKX Group are acting as the service providers for its holding company.

The breakdown of CJKX's Group revenue between domestic and foreign markets for the past three (3) financial years are as follows:

	Domestic		Foreign	
	RM'000	%	RM'000	%
FYE 31 December 2018	263,705	99.0	2,663	1.0
FYE 31 December 2017	260,128	99.0	2,627	1.0
FYE 31 December 2016	211,200	95.0	11,115	5.0

2. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDER

As at the LPD, the issued share capital of CJKX is RM62,356,191 comprising 62,356,191 CJKX Shares.

As at the LPD, the sole shareholder of CJKX and its direct and indirect shareholding in CJKX are as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of CJKX Shares held	%	No. of CJKX Shares held	%
CJ Asia	Singapore	62,356,191	100	-	-

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

3. BOARD OF DIRECTORS

As at the LPD, the directors of CJKX and their respective direct and indirect shareholdings in CJKX are as follows:

Directors	Nationality	Designation	Direct		Indirect	
			No. of CJKX Shares held	%	No. of CJKX Shares held	%
Lee Eui Sung	Korean	Managing Director	-	-	-	-
Kim Pil Young	Korean	Director	-	-	-	-
Hong Sung Yong	Korean	Director	-	-	-	-
Sim Jae Hun	Korean	Director	-	-	-	-

4. SUBSIDIARIES AND ASSOCIATES

As at the LPD, the companies within the CJKX Group are set out below:

Name	Place/ Date of incorporation	Commencement date of business operation	Principal market	Issued share capital (RM)	Principal activities	Equity interest held (%)
CJKX Forwarding	Malaysia/ 21 March 2002	21 March 2002	Malaysia	200,000	Providing forwarding and its related services	49% ⁽¹⁾⁽²⁾
EC Distribution	Malaysia/ 25 November 1988	25 November 1988	Malaysia	2,500,000	Providing warehousing services	100%
EC Services	Malaysia/ 15 July 2002	15 July 2002	Malaysia	500,000	Providing transport and haulage services	49% ⁽¹⁾⁽³⁾
Tad Raya	Malaysia/ 29 October 2014	29 October 2014	Malaysia	500,000	Providing warehousing and storage services	100%

Notes:

- (1) CJKX is the registered shareholder of the 49% equity interest. However, CJKX also holds call options on the remaining 51% shareholdings in the said companies.
- (2) Fadil Bin Saharudin is the registered shareholder of the remaining 51% equity interest in CJKX Forwarding.
- (3) Fadil Bin Saharudin and Zurkarnain Bin Aziddin are the registered shareholders of the remaining 51% equity interest in EC Services, each holding 25.5% respectively.

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

5. FINANCIAL SUMMARY

The summary of key financial information of CJKX based on its audited consolidated financial statements for the past three (3) FYE 31 December 2016, 2017 and 2018 and the unaudited consolidated financial results of CJKX for the FYE 31 December 2019 are set out below:

	<-----Audited-----> FYE 31 December			Unaudited FYE 31 December
	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
Revenue	222,315	262,755	266,368	289,324
Gross profit	18,151	21,248	21,845	27,209
PBT	393	8,527	7,401	11,208
PAT	59	6,538	4,167	8,937
No. of ordinary shares in issue (000)	62,356	62,356	62,356	62,356
Gross EPS (sen) ⁽¹⁾	0.63	13.67	11.87	17.97
Net EPS (sen) ⁽²⁾	0.09	10.48	6.68	14.33
Shareholders' funds/ NA (RM'000)	35,090	41,628	46,396	55,333
Total borrowings (RM'000)	12,030	9,697	6,262	5,247
Issued share capital (RM'000)	62,356	62,356	62,356	62,356
NA per share (sen) ⁽³⁾	56.27	66.76	74.41	88.74
Gearing (times) ⁽⁴⁾	0.34	0.23	0.13	0.09
Current ratio (times)	1.23	1.25	1.38	1.45

Notes:

(1) Computed based on PBT divided by the number of ordinary shares in issue.

(2) Computed based on PAT divided by the number of ordinary shares in issue.

(3) Computed based on NA divided by the number of ordinary shares in issue.

(4) Computed based on total borrowings divided by NA.

During the years under review:

- (i) there were no exceptional and/or extraordinary items;
- (ii) there have been no accounting policies adopted by CJKX which are peculiar to CJKX because of the nature of its business or the industry in which it is involved in; and
- (iii) there have been no audit qualifications to the financial statements of CJKX.

(The rest of this page has been intentionally left blank)

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

Commentary of past financial performance**FYE 31 December 2019 (unaudited) vs FYE 31 December 2018**

For the FYE 31 December 2019, CJKX Group recorded revenue of RM289.3 million, representing an increase of 8.6% from the revenue recorded in the FYE 31 December 2018 of RM266.4 million. This was mainly due to the increase in freight forwarding, warehousing and distribution businesses as a result of increased volume from existing customers. However, the increased revenue from existing customers was also mitigated by the transfer of its courier business to CJ Century in September 2018.

PBT of CJKX Group increased by 51% from RM7.4 million for the FYE 31 December 2018 to RM11.2 million for the FYE 31 December 2019 mainly due to profit contributed by freight forwarding, warehousing and distribution businesses. Resulting therefrom, CJKX Group recorded PAT of RM8.9 million for the FYE 31 December 2019, representing an increase of 114% from the PAT recorded in the previous financial year.

FYE 31 December 2018 vs FYE 31 December 2017

For the FYE 31 December 2018, CJKX Group recorded revenue of RM266.4 million, representing an increase of 1.4% from the revenue recorded in the previous financial year. This was primarily due to the increased revenue from warehousing and distribution, transportation and haulage businesses, as a result of securing of new customers. However, the increased revenue from new customers was also mitigated by the decreased volume in freight forwarding business which resulted in the overall slight increase in revenue as compared to the previous financial year.

PBT of CJKX Group decreased by 13.2% from RM8.5 million for the FYE 31 December 2017 to RM7.4 million for the FYE 31 December 2018 mainly due to lower gain arising from foreign exchange translation. CJKX Group recorded PAT of RM4.2 million for the FYE 31 December 2018, representing a decline of 36.3% from the PAT recorded in the previous financial year mainly due to higher income tax expense as a result of the fully utilised unabsorbed business losses brought forward from previous financial years.

FYE 31 December 2017 vs FYE 31 December 2016

For the FYE 31 December 2017, CJKX Group recorded revenue of RM262.8 million, representing an increase of 18.2% from the revenue recorded in the previous financial year. This was primarily due to the increased revenue from freight forwarding businesses, arising from the increased volume as well as ad hoc freight arrangement from existing customers.

PBT of CJKX Group increased by approximately 22 times from RM0.4 million for the FYE 31 December 2016 to RM8.5 million for the FYE 31 December 2017 mainly due to profit contribution from freight forwarding business coupled with gain arising from foreign exchange translation as well as lower finance cost. These reasons had contributed to the significant increase in PAT of RM0.06 million for FYE 31 December 2016 to RM6.5 million for the FYE 31 December 2017.

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

6. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, the CJKX Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past two (2) years immediately preceding the date of this Circular:

- (i) **Shares sale agreement dated 8 January 2020 between Amran Bin Che Mat, Bahanuddin Bin Abd Rahman and Muhammad Shafiq Bin Mohamad Aminuddin (Vendors), Mohd Rokeman @ Mohd Lokman Bin Ismail and Muhammad Afeq Bin Amran (Directors) and CJKX (Purchaser)**

Purpose : Sale and purchase of all the issued and paid-up ordinary shares in Tad Raya

Purchase consideration : RM2,500,000, via cash

Status as at the LPD : Completed

- (ii) **Assets sale and purchase agreement dated 24 August 2018 between CJKX (Vendor) and CJ Century Logistics Sdn Bhd (Purchaser)**

Purpose : Sale and purchase of courier assets

Purchase consideration : RM1,751,530, via cash

Status as at the LPD : Completed

- (iii) **Loan agreement dated 1 April 2019 between CJKX (Lender) and Fadil Bin Saharudin (Borrower)**

Loan amount : RM1,295,735

Purpose of the loan : Acquisition of 127,500 ordinary shares in EC Services and 102,000 ordinary shares in CJKX Forwarding

Status as at the LPD : Completed

- (iv) **Loan agreement dated 1 April 2019 between CJKX (Lender) and Zurkarnain Bin Aziddin (Borrower)**

Loan amount : RM503,324

Purpose of the loan : Acquisition of 127,500 ordinary shares in EC Services

Status as at the LPD : Completed

- (v) **Call option agreement dated 1 April 2019 between CJKX and Fadil Bin Saharudin (Grantor) ("Call Option Agreement 1")**

Purpose : Grantor grants call option to CJKX over the Option Shares (as defined below) during the Option Period (as defined below)

Option Shares : 127,500 ordinary shares in EC Services and 102,000 ordinary shares in CJKX Forwarding held by the Grantor

Option Period : The period commencing from the date of the Call Option

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

Agreement 1 until the Grantor ceases to be a shareholder of EC Services and CJKX Forwarding

Status as at the LPD : Subsisting

(vi) **Call option agreement dated 1 April 2019 between CJKX and Zurkarnain Bin Aziddin (Grantor) (“Call Option Agreement 2”)**

Purpose : Grantor grants call option to CJKX over the Option Shares (as defined below) during the Option Period (as defined below)

Option Shares : 127,500 ordinary shares in EC Services held by the Grantor

Option Period : The period commencing from the date of the Call Option Agreement 2 until the Grantor ceases to be a shareholder of EC Services

Status as at the LPD : Subsisting

7. MATERIAL LITIGATION

As at the LPD, the CJKX Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of CJKX is not aware and does not have any knowledge of any proceedings pending or threatened against the CJKX Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the CJKX Group.

8. MATERIAL COMMITMENTS

As at the LPD, the board of directors of CJKX Group is not aware of any material capital commitments contracted or known to be contracted by the CJKX Group, which may have a material impact on the financial results/position of the CJKX Group.

9. CONTINGENT LIABILITIES

As at the LPD, the board of directors of CJKX Group is not aware of any contingent liabilities incurred or known to be incurred by the CJKX Group which, upon becoming enforceable, may have a material impact on the financial results/position of the CJKX Group.

(The rest of this page has been intentionally left blank)

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

10. INFORMATION ON PROPERTIES OWNED

As at the LPD, save and except for the following properties owned by EC Distribution and Tad Raya, the CJKX Group does not own any other properties:

(i) EC Distribution

Registered proprietor	:	EC Distribution
Title details	:	GRN 97995, Lot No. 4, Pekan Hicom, Daerah Petaling, Selangor Darul Ehsan, Malaysia
Postal address	:	No. 4, Jalan Jenjarum 28/39, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia
Land tenure	:	Freehold
Category of land use	:	Industrial
Express conditions	:	Light industrial
Restriction in interest	:	Nil
Land area	:	27,576 square metres
Date of registration	:	7 April 2006
Existing use	:	For warehousing business
Date of issuance of Certificate of Compliance and Completion (previously known as Certificate of Fitness for Occupation)	:	21 July 2005
Encumbrances	:	Two (2) legal charges, in favour of OCBC Bank (Malaysia) Berhad (Company No. 295400-W)
Audited net book value as at 31 December 2018	:	RM24,180,854

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

(ii) **Tad Raya**

Registered proprietor	:	Tad Raya
Title details	:	H.S.(D) 9186, PT 10633, Mukim Teluk Kalung, Daerah Kemaman, Negeri Terengganu
Land tenure	:	Sixty (60) years from 8 July 2019 till 7 July 2079
Category of land use	:	Industrial
Express conditions	:	<p>(i) Must be used for the purposes of running a total logistics business centre and construction and completion of a building relating to the aforesaid purposes only; and</p> <p>(ii) Within a period of two (2) years from the date of registration or such extended period as may be approved by the Director of Land and Mine Terengganu, a building is to be constructed and completed on the land, in accordance with the plan approved by the relevant authorities, to be used for the purposes of running a total logistics business centre</p>
Restriction in interest	:	<p>(i) Any transfer, charge and lease can only be done after the completion of the project subject to the consent of the State Authority being obtained; and</p> <p>(ii) Cannot be subdivided without the consent of the State Authority</p>
Land area	:	20,000 square metres
Date of registration	:	8 July 2019
Existing use	:	This land is currently vacant
Date of issuance of Certificate of Compliance and Completion (previously known as Certificate of Fitness for Occupation)	:	This land is currently vacant
Encumbrances	:	Nil
Audited net book value as at 31 December 2018	:	Not applicable, as this land was registered under the name of Tad Raya on 8 July 2019

FURTHER INFORMATION ON THE CJKX GROUP (CONT'D)

11. CONTINUING RELATED PARTY TRANSACTIONS**(i) Parties related to CJKX**

Related parties	Principal activities	Nature of relationship
CJ Corporation	Investment holding	Holding company of CJ Logistics
CJ Logistics Corporation ("CJ Logistics")	Land and marine transportation, stevedoring, warehousing	Holding company of CJ Asia
CJ Asia	Investment holding and providing total logistics solutions	A Major Shareholder of CJ Century and 100% shareholder of CJKX
CJ Bio Malaysia Sdn Bhd ("CJ Bio")	Feed manufacturing	An associate company of CJ Corporation
Korea Express Shanghai Co. Ltd. ("Korea Express")	Providing freight transportation	A wholly-owned subsidiary of CJ Logistics

(ii) Details of the Continuing Related Party Transactions

Related party	Nature of income transaction to CJKX	Estimated value from completion of Proposed Acquisition to the next AGM* RM'000
CJ Bio	Provision of logistics services	104,000
CJ Logistics	Provision of logistics services	20,000
CJ Asia	Provision of logistics services	1,000
Korea Express	Provision of logistics services	1,000
Total		126,000

* Transaction value estimated for the duration of 11 months.

Related party	Nature of cost transaction to CJKX	Estimated value from completion of Proposed Acquisition to the next AGM* RM'000
CJ Logistics	Provision of logistics services	5,000
Korea Express	Provision of logistics services	1,000
Total		6,000

* Transaction value estimated for the duration of 11 months.

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

FINANCIAL REPORT *for the financial year ended 31 December 2018*

CONTENTS

	Page
Director's Report	1
Statement by Directors	7
Statutory Declaration	7
Independent Auditors' Report	8
Statements of Financial Position	12
Statements of Profit or Loss and Other Comprehensive Income	14
Statements of Changes in Equity	15
Statements of Cash Flows	16
Notes to the Financial Statements	19

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, providing total logistics solutions and trading in resin products. The principal activities of the subsidiaries are set out in Note 6 the financial statements.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	<u>4,167,346</u>	<u>2,495,318</u>

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

Company No: 416149 - W

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

DIRECTORS' REPORT

DIRECTORS

The directors of the Company who served during the financial year and up to the date of this report are as follows:-

LEE EUI SUNG
KIM PIL YOUNG
HONG SUNG YONG (Appointed on 15.1.2019)
SIM JAE HUN (Appointed on 15.1.2019)
CHEONG JOON KYO (Resigned on 15.4.2018)
KIM SANG GUK (Resigned on 1.2.2018)
KIM JAE HONG (Appointed on 15.4.2018; Resigned on 15.1.2019)
YOON JIN (Appointed on 1.2.2018; Resigned on 15.1.2019)

The directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

FADIL BIN SAHARUDIN
ZURKARNAIN BIN AZIDDIN

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in shares of the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 26 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

HOLDING COMPANIES

The ultimate, intermediate and immediate holding companies are CJ Corp. Ltd., CJ Logistics Corporation and CJ Logistics Asia Pte. Ltd., respectively. The ultimate and intermediate holding companies are incorporated in the Republic of Korea whilst the immediate holding company is incorporated in the Republic of Singapore.

[The rest of this page is intentionally left blank]

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

DIRECTORS' REPORT

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 26 to the financial statements.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 28 FEB 2019**



Lee Eui Sung



Kim Pil Young

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Lee Eui Sung and Kim Pil Young, being two of the directors of CJ Korea Express Malaysia Sdn. Bhd., state that, in the opinion of the directors, the financial statements set out on pages 12 to 83 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 28 FEB 2019**



Lee Eui Sung



Kim Pil Young

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Lee Eui Sung, Passport No. M80844392, being the director primarily responsible for the financial management of CJ Korea Express Malaysia Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 12 to 83 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Lee Eui Sung, Passport No. M80844392,
at Klang
in the state of Selangor Darul Ehsan
on this **28 FEB 2019**



Before me



Lee Eui Sung

Page 7

No. 61-1, Tingkat 1,
Jalan Teras 2B/ Bandar Baru Klang,
41150 Klang, Selangor

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**


**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CJ KOREA EXPRESS MALAYSIA SDN. BHD.**

(Incorporated in Malaysia)
Company No: 416149 - W

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
Opinion

We have audited the financial statements of CJ Korea Express Malaysia Sdn. Bhd., which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 83.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

Page 8

Crowe Malaysia PLT (LLP0018817-LCA & AF 1018) was registered on 2 January 2019 and with effect from that date, Crowe Malaysia (AF 1018) which was formerly known as Crowe Horwath (AF 1018), a conventional partnership was converted to a limited liability partnership.

Crowe Malaysia PLT is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Malaysia PLT and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Malaysia PLT.

© 2019 Crowe Malaysia PLT

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**


**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CJ KOREA EXPRESS MALAYSIA SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
Company No: 416149 - W

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)


**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CJ KOREA EXPRESS MALAYSIA SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
Company No: 416149 - W

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Page 10

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**


**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CJ KOREA EXPRESS MALAYSIA SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
Company No: 416149 - W

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Shah Alam

28 FEB 2019

Ong Beng Chooi
03155/05/2019 J
Chartered Accountant

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2018

	NOTE	THE GROUP		THE COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	13,650,348	13,650,348
Property, plant and equipment	7	28,432,633	30,054,771	3,918,097	5,051,779
Other investment	8	60,000	60,000	60,000	60,000
		<u>28,492,633</u>	<u>30,114,771</u>	<u>17,628,445</u>	<u>18,762,127</u>
CURRENT ASSETS					
Inventories	9	8,094,126	4,693,200	8,094,126	4,693,200
Trade receivables	10	36,000,060	46,823,963	36,251,834	46,925,434
Other receivables, deposits and prepayments	11	3,819,577	4,070,508	3,668,374	3,895,581
Amount owing by intermediate holding company	12	1,017,757	628,362	1,017,757	628,362
Amount owing by immediate holding company	13	126,348	276,126	126,348	276,126
Amount owing by subsidiaries	14	-	-	3,900,000	4,829,735
Amount owing by related companies	15	15,972,879	24,769,018	15,903,769	24,769,018
Current tax assets		3,182,053	1,467,658	2,781,341	1,066,946
Fixed deposits with licensed banks	16	1,203,155	1,165,578	1,070,210	1,039,561
Cash and bank balances		13,248,895	9,434,043	12,467,311	8,769,464
		<u>82,664,850</u>	<u>93,328,456</u>	<u>85,281,070</u>	<u>96,893,427</u>
TOTAL ASSETS		<u>111,157,483</u>	<u>123,443,227</u>	<u>102,909,515</u>	<u>115,655,554</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2018 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	62,356,191	62,356,191	62,356,191	62,356,191
Accumulated losses		(15,960,174)	(20,728,246)	(20,797,160)	(23,877,395)
TOTAL EQUITY		46,396,017	41,627,945	41,559,031	38,478,796
NON-CURRENT LIABILITIES					
Deferred tax liability	18	1,720,664	1,741,647	-	-
Long-term borrowings	19	3,248,684	5,305,992	-	1,043,418
		4,969,348	7,047,639	-	1,043,418
CURRENT LIABILITIES					
Trade payables	22	19,484,942	14,115,907	18,547,415	13,403,710
Other payables and accruals	23	5,103,142	4,155,715	4,834,526	3,875,601
Amount owing to intermediate holding company	12	23,759,565	41,912,620	23,759,565	41,912,620
Amount owing to immediate holding company	13	2,774,529	8,249	2,774,529	8,249
Amount owing to subsidiaries	14	-	-	3,919,764	3,525,469
Amount owing to related companies	15	3,214,685	10,078,922	3,214,685	9,965,908
Short-term borrowings	24	3,012,755	4,391,230	2,000,000	3,441,783
Current tax liabilities		2,442,500	105,000	2,300,000	-
		59,792,118	74,767,643	61,350,484	76,133,340
TOTAL LIABILITIES		64,761,466	81,815,282	61,350,484	77,176,758
TOTAL EQUITY AND LIABILITIES		111,157,483	123,443,227	102,909,515	115,655,554

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	NOTE	THE GROUP		THE COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
REVENUE	25	266,367,925	262,755,490	266,128,070	262,086,383
COST OF SALES		(244,522,523)	(241,507,128)	(247,272,276)	(244,081,014)
GROSS PROFIT		21,845,402	21,248,362	18,855,794	18,005,369
OTHER INCOME		2,239,742	5,105,822	2,455,956	5,279,939
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(16,096,401)	(17,186,208)	(15,830,595)	(16,808,804)
FINANCE COSTS		(588,047)	(641,139)	(284,232)	(277,659)
PROFIT BEFORE TAXATION	26	7,400,696	8,526,837	5,196,923	6,198,845
INCOME TAX EXPENSE	27	(3,233,350)	(1,988,824)	(2,701,605)	(1,629,489)
PROFIT AFTER TAXATION		4,167,346	6,538,013	2,495,318	4,569,356
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		4,167,346	6,538,013	2,495,318	4,569,356
PROFIT AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY		4,167,346	6,538,013	2,495,318	4,569,356
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		4,167,346	6,538,013	2,495,318	4,569,356

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	SHARE CAPITAL RM	ACCUMULATED LOSSES RM	TOTAL EQUITY RM
THE GROUP			
As at 1.1.2017	62,356,191	(27,266,259)	35,089,932
Profit after taxation/Total comprehensive income for the financial year	-	6,538,013	6,538,013
Balance at 31.12.2017/1.1.2018			
- Brought forward from preceding year	62,356,191	(20,728,246)	41,627,945
- Changes in accounting policies (Note 4.2)	-	600,726	600,726
- Adjusted			
Profit after taxation/Total comprehensive income for the financial year	62,356,191	(20,127,520)	42,228,671
	-	4,167,346	4,167,346
Balance at 31.12.2018	62,356,191	(15,960,174)	46,396,017
THE COMPANY			
As at 1.1.2017	62,356,191	(28,446,751)	33,909,440
Profit after taxation/Total comprehensive income for the financial year	-	4,569,356	4,569,356
Balance as at 31.12.2017/1.1.2018			
- Brought forward from preceding year	62,356,191	(23,877,395)	38,478,796
- Changes in accounting policies (Note 4.2)	-	584,917	584,917
- Adjusted			
Profit after taxation/Total comprehensive income for the financial year	62,356,191	(23,292,478)	39,063,713
	-	2,495,318	2,495,318
Balance as at 31.12.2018	62,356,191	(20,797,160)	41,559,031

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM /(FOR) OPERATING ACTIVITIES				
Profit before taxation	7,400,696	8,526,837	5,196,923	6,198,845
Adjustments for:-				
Allowance for impairment losses on trade receivables	-	24,018	-	23,467
Bad debts written off	22,874	-	22,874	-
Deposit forfeited	-	79,200	-	-
Depreciation of property, plant and equipment	2,021,408	2,116,642	1,532,952	1,608,649
Equipment written off	-	92,552	-	49,543
Interest expense	588,047	641,139	284,232	277,659
Interest income	(277,631)	(206,616)	(493,845)	(440,737)
Gain on disposal of equipment	(1,313)	(851)	(1,313)	(851)
Provision/(reversal) of cargo claim	250,000	(81,631)	250,000	(81,631)
Unrealised loss/(gain) on foreign exchange	893,724	(3,589,780)	893,724	(3,589,780)
Reversal of allowance for impairment losses on trade receivable	(1,360)	-	(1,328)	-
Operating profit before working capital changes	10,896,445	7,601,510	7,684,219	4,045,164
Changes in:				
- inventories	(3,400,926)	(1,358,234)	(3,400,926)	(1,358,234)
- trade receivables	11,425,429	(12,240,935)	11,259,285	(12,391,083)
- other receivables, deposits and prepayments	243,877	274,080	220,153	152,711
- amount owing by intermediate holding company	(484,394)	(145,979)	(484,394)	(145,979)
- amount owing by immediate holding company	157,619	81,991	157,619	81,991
- amount owing by subsidiaries	-	-	-	341
- amount owing by related companies	8,864,449	(15,837,931)	8,933,559	(15,845,005)
BALANCE CARRIED FORWARD	27,702,499	(21,625,498)	24,369,515	(25,460,094)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)**

NOTE	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
BALANCE BROUGHT FORWARD	27,702,499	(21,625,498)	24,369,515	(25,460,094)
Changes in:				
- trade payables	5,359,291	(612,029)	5,133,961	(234,950)
- other payables and accruals	697,427	834,171	708,925	873,233
- amount owing to intermediate holding company	(14,046,546)	5,037,245	(14,046,546)	5,037,245
- amount owing to immediate holding company	(3,160)	(71,223)	(3,160)	(71,223)
- amount owing to subsidiaries	-	-	394,295	963,349
- amount owing to related companies	(7,390,522)	9,523,237	(7,277,508)	9,410,223
CASH FLOWS FROM/(FOR) OPERATIONS	12,318,989	(6,914,097)	9,279,482	(9,482,217)
Income tax paid	(2,631,228)	(934,857)	(2,116,000)	(534,000)
Interest paid	(588,047)	(641,139)	(284,232)	(277,659)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	9,099,714	(8,490,093)	6,879,250	(10,293,876)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES				
Interest received	277,631	206,616	493,845	440,737
Increase in fixed deposits pledged to licensed banks	(37,577)	(34,754)	(30,649)	(24,754)
Purchase of plant and equipment	(2,166,765)	(1,658,612)	(2,166,765)	(1,658,612)
Repayment from/(Advances to) intermediate holding company	109,889	(47,212)	109,889	(47,212)
Repayment from immediate holding company	-	338	-	338
Repayment from subsidiaries	-	-	929,735	1,762,326
Advances to related company	(12,336)	(148,283)	(12,336)	(148,283)
Proceeds from disposal equipment	1,768,808	1,330	1,768,808	1,330
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(60,350)	(1,680,577)	1,092,527	325,870
BALANCE CARRIED FORWARD	9,039,364	(10,170,670)	7,971,777	(9,968,006)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)**

	NOTE	THE GROUP		THE COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
BALANCE BROUGHT FORWARD		9,039,364	(10,170,670)	7,971,777	(9,968,006)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES (Note a)					
Repayment of term loans		(1,950,582)	(1,890,916)	(1,000,000)	(1,000,000)
Repayment of hire purchase obligations		(1,485,201)	(441,784)	(1,485,201)	(441,784)
(Repayment to)/Advances from intermediate holding company		(4,640,697)	8,306,585	(4,640,697)	8,306,585
Advances from/(Repayment to) Immediate holding company		2,769,168	(90,645)	2,769,168	(90,645)
Advances from/(Repayment to) related companies		79,067	(29,399)	79,067	(29,399)
Repayment to subsidiaries		-	-	-	(1,250,000)
NET CASH (FOR)/ FROM FINANCING ACTIVITIES		(5,228,245)	5,853,841	(4,277,663)	5,494,757
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,811,119	(4,316,829)	3,694,114	(4,473,249)
Effect of exchange rate differences		3,733	(10,629)	3,733	(10,629)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		9,434,043	13,761,501	8,769,464	13,253,342
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28	13,248,895	9,434,043	12,467,311	8,769,464

(a) Reconciliation of liabilities arising from financing activities:
Changes in liabilities arising from financing activities are changes arising from cash flows.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	No. 91, Jalan SS 15/4C, 47500 Subang Jaya, Selangor Darul Ehsan.
Principal place of business	:	Suite 8-01, Level 8, IMS 2, No. 88, Jalan Batai Laut 4, Taman Intan, 41300 Klang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 February 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, providing total logistics solutions and trading in resin products. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

3. HOLDING COMPANIES

The ultimate, intermediate and immediate holding companies are CJ Corp. Ltd., CJ Logistics Corporation and CJ Logistics Asia Pte. Ltd., respectively. The ultimate and intermediate holding companies are incorporated in the Republic of Korea whilst the immediate holding company is incorporated in the Republic of Singapore.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 4.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 - Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 - 2016 Cycles

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

4. BASIS OF PREPARATION (CONT'D)

- 4.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements except as follows:-

MFRS 9 Financial Instruments

The adoption of this new Standard resulted in changes in accounting policies and adjustments to the financial statements. In accordance with the transition requirements under paragraph 7.2.15 of this Standard, comparatives are not restated and the financial impact on the application of this Standard is recognised in retained earnings as of 1 January 2018.

Financial assets

There is no impact on the classification and measurement of the Group's and the Company's financial assets.

Impairment of financial assets

MFRS 9 Financial Instruments requirements impairment assessments to be based on an expected credit loss ("ECL") model, replacing the incurred loss model under MFRS 139 Financial Instruments: Recognition and Measurement.

(a) Trade receivables

For all trade receivables, the Group and the Company applies the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. The identified impairment loss was immaterial and hence, it is not provided for.

(b) Other receivables

Other receivables are classified as amortised cost in the Group and the Company's financial statements because the Group's and the Company's business model is to hold and collect the contractual cash flows and those cash flows are solely payments of principal and interest ("SPPI"). The Group and the Company conclude that no loss allowance is recognised on other receivable upon application of MFRS 9.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

4. BASIS OF PREPARATION (CONT'D)

- 4.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements except as follows:- (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

- (c) **Amount owing by intermediate holding company/immediate holding company/subsidiaries/related companies**

Amount owing by intermediate holding company/immediate holding company/subsidiaries/related companies, which are interest-free and repayable on demand, are classified as amortised cost as the Group and the Company's business model is to hold and collect the contractual cash flows and those cash flows are SPPI. The Group and the Company conclude that no additional loss allowance is recognised on amount owing by intermediate/immediate holding companies/subsidiaries/related companies upon application of MFRS 9 as the Companies could fully recover the outstanding balances.

- (d) **Cash and cash equivalents**

Cash and cash equivalents comprise fixed deposits with a licensed bank and bank balances. Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Financial liabilities

There is no impact on the classification and measurement of the Group's and the Company's financial liabilities.

MFRS 15 Revenue from Contracts with Customers

This new Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

4. BASIS OF PREPARATION (CONT'D)

- 4.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements except as follows:- (Cont'd)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

The adoption of this Standard resulted in changes in accounting policies for revenue recognition, and an adjustment of RM600,726 and RM584,917 have been made to the retained earnings of the Group and of the Company respectively upon initial application as of 1 January 2018. The Group and the Company have adopted the modified retrospective method by recognising the cumulative effect of initially applying this Standard at the date of initial application.

- 4.3 The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not effective:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective for annual periods beginning on or after
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

4. BASIS OF PREPARATION (CONT'D)

- 4.3 The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not effective:- (Cont'd)

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Critical Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) *Write-down for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.1 Critical Accounting Estimates and Judgements (Cont'd)***(b) Impairment of Trade Receivables*

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying of trade receivables.

(c) Impairment of Non-trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

5.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.2 Basis of Consolidation (Cont'd)**

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of Consolidation (Cont'd)

(c) *Changes in Ownership Interests in Subsidiaries Without Change of Control*

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) *Loss of Control*

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2017 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 Functional and Foreign Currencies

(a) *Functional and Presentation Currency*

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.3 Functional and Foreign Currencies (Cont'd)****(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

5.4 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instrument in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measure at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.4 Financial Instruments (Cont'd)***(a) Financial Assets*

All recognised financial assets are measured subsequently in their entirety at either amortised or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments**(i) Amortised Cost*

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Profit or Loss

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Fair Value through Other Comprehensive Income

As at the end of the reporting period, there were no financial assets classified under this category.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 Financial Instruments (Cont'd)

(a) *Financial Assets (Cont'd)*

Equity Instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Company has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) *Financial Liabilities*

Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period where appropriate.

(c) *Equity Instruments*

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.4 Financial Instruments (Cont'd)***(d) Derecognition*

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5.6 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at cost less impairment losses, if any. Freehold land is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Plant, machinery and storage equipment	5% to 33 $\frac{1}{3}$ %
Furniture and fittings	10% to 20%
Office equipment	10% to 20%
Computers	20% to 33 $\frac{1}{3}$ %
Electrical fittings, renovation and structure	10% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.6 Property, Plant and Equipment (Cont'd)**

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further depreciation charge is made in respect of these plant and equipment.

5.7 Impairment**(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.7 Impairment (Cont'd)****(a) Impairment of Financial Assets (Cont'd)**

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.8 Leased Assets****(a) Finance Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Equipment which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

5.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
5.10 Income Taxes
(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.11 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

5.12 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity period of three months or less. For the purposes of the statements of cash flows, cash and cash equivalents are presented net of fixed deposits pledged to secure banking facilities.

5.13 Employee Benefits**(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.14 Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5.15 Revenue from Contracts With Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.15 Revenue from Contracts With Customers (Cont'd)**

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(a) Sale of Resin

Revenue from sale of resin is recognised when the Group has transferred control of the goods to the customer, being the point in time when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Services

Revenue from services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Company recognises revenue on a straight-line method over the period of service.

5.16 Other Operating Income*Interest Income*

Interest income is recognised on an accrual basis using the effective interest method.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2018 RM	2017 RM
Unquoted shares, at cost	13,650,348	13,650,348

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:-

Name of Subsidiary	Effective Equity Interest		Principal Activities
	2018 %	2017 %	
EC Distribution Sdn. Bhd.	100	100	Providing warehousing services.
CJ Korea Express Forwarding Malaysia Sdn. Bhd.*	100	100	Forwarding and it's related services.
EC Services Enterprise Sdn. Bhd.*	100	100	Providing transportation, haulage and cleaning services.

* 51% of the equity interests are held in trust of the Company by certain directors of the said subsidiaries.

7. PROPERTY, PLANT AND EQUIPMENT

THE GROUP CARRYING AMOUNT	AT 1.1.2018 RM	ADDITIONS RM	DISPOSALS RM	DEPRECIATION CHARGE RM	AT 31.12.2018 RM
Freehold land	11,900,000	-	-	-	11,900,000
Buildings	12,612,768	-	-	(331,914)	12,280,854
Plant, machinery and storage equipment	1,311,352	1,396,326	(98,421)	(693,901)	1,915,356
Furniture and fittings	152,401	55,207	(30,879)	(40,333)	136,396
Office equipment	903,607	213,811	(74,860)	(230,315)	812,243
Computers	376,283	424,206	(118,296)	(191,953)	490,240
Electrical fittings, renovation and structure	619,576	77,215	(10,952)	(102,872)	582,967
Motor vehicles	2,178,784	-	(1,434,087)	(430,120)	314,577
	30,054,771	2,166,765	(1,767,495)	(2,021,408)	28,432,633

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP CARRYING AMOUNT	AT 1.1.2017 RM	ADDITIONS RM	DISPOSALS/ WRITTEN OFF RM	DEPRECIATION CHARGE RM	AT 31.12.2017 RM
Freehold land	11,900,000	-	-	-	11,900,000
Buildings	12,944,683	-	-	(331,915)	12,612,768
Plant, machinery and storage equipment	1,075,786	854,266	(194)	(618,506)	1,311,352
Furniture and fittings	142,770	66,290	(20,515)	(36,144)	152,401
Office equipment	1,073,343	103,432	(37,868)	(235,300)	903,607
Computers	390,111	160,471	-	(174,299)	376,283
Electrical fittings, renovation and structure	592,583	157,910	(34,454)	(96,463)	619,576
Motor vehicles	2,486,556	316,243	-	(624,015)	2,178,784
	30,605,832	1,658,612	(93,031)	(2,116,642)	30,054,771

31.12.2018	AT COST RM	ACCUMULATED DEPRECIATION RM	CARRYING AMOUNT RM
Freehold land	11,900,000	-	11,900,000
Buildings	16,095,421	(3,814,567)	12,280,854
Plant, machinery and storage equipment	7,707,362	(5,792,006)	1,915,356
Furniture and fittings	495,563	(359,167)	136,396
Office equipment	3,065,271	(2,253,028)	812,243
Computers	1,549,148	(1,058,908)	490,240
Electrical fittings, renovation and structure	1,421,093	(838,126)	582,967
Motor vehicles	8,281,092	(7,966,515)	314,577
	50,514,950	(22,082,317)	28,432,633

31.12.2017	AT COST RM	ACCUMULATED DEPRECIATION RM	CARRYING AMOUNT RM
Freehold land	11,900,000	-	11,900,000
Buildings	16,095,421	(3,482,653)	12,612,768
Plant, machinery and storage equipment	6,424,196	(5,112,844)	1,311,352
Furniture and fittings	481,232	(328,831)	152,401
Office equipment	2,994,313	(2,090,706)	903,607
Computers	1,403,930	(1,027,647)	376,283
Electrical fittings, renovation and structure	1,358,788	(739,212)	619,576
Motor vehicles	11,043,532	(8,864,748)	2,178,784
	51,701,412	(21,646,641)	30,054,771

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY CARRYING AMOUNT	At 1.1.2018 RM	ADDITIONS RM	DISPOSALS RM	DEPRECIATION CHARGE RM	At 31.12.2018 RM
Plant, machinery and storage equipment	1,353,669	1,396,326	(98,421)	(693,901)	1,957,673
Furniture and fittings	131,775	55,207	(30,879)	(37,353)	118,750
Office equipment	623,621	213,811	(74,860)	(151,819)	610,753
Computers	376,282	424,206	(118,296)	(191,953)	490,239
Electrical fittings, renovation and structure	523,643	77,215	(10,952)	(81,135)	508,771
Motor vehicles	2,042,789	-	(1,434,087)	(376,791)	231,911
	5,051,779	2,166,765	(1,767,495)	(1,532,952)	3,918,097

CARRYING AMOUNT	At 1.1.2017 RM	ADDITIONS RM	DISPOSALS/ WRITTEN OFF RM	DEPRECIATION CHARGE RM	At 31.12.2017 RM
Plant, machinery and storage equipment	1,118,103	854,266	(194)	(618,506)	1,353,669
Furniture and fittings	112,759	66,290	(14,398)	(32,876)	131,775
Office equipment	678,083	103,432	(16,183)	(141,711)	623,621
Computers	390,110	160,471	-	(174,299)	376,282
Electrical fittings, renovation and structure	455,551	157,910	(19,247)	(70,571)	523,643
Motor vehicles	2,297,232	316,243	-	(570,686)	2,042,789
	5,051,838	1,658,612	(50,022)	(1,608,649)	5,051,779

31.12.2018	At COST RM	ACCUMULATED DEPRECIATION RM	CARRYING AMOUNT RM
Plant, machinery and storage equipment	5,442,697	(3,485,024)	1,957,673
Furniture and fittings	399,715	(280,965)	118,750
Office equipment	1,607,218	(996,465)	610,753
Computers	1,383,040	(892,801)	490,239
Electrical fittings, renovation and structure	884,303	(375,532)	508,771
Motor vehicles	461,469	(229,558)	231,911
	10,178,442	(6,260,345)	3,918,097

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY 31.12.2017	AT COST RM	ACCUMULATED DEPRECIATION RM	CARRYING AMOUNT RM
Plant, machinery and storage equipment	4,159,532	(2,805,863)	1,353,669
Furniture and fittings	385,382	(253,607)	131,775
Office equipment	1,536,261	(912,640)	623,621
Computers	1,237,821	(861,539)	376,282
Electrical fittings, renovation and structure	821,998	(298,355)	523,643
Motor vehicles	3,148,974	(1,106,185)	2,042,789
	<u>11,289,968</u>	<u>(6,238,189)</u>	<u>5,051,779</u>

Freehold land and buildings of the Group with a total carrying amount of RM24,180,854 (2017 - RM24,512,768) have been pledged to licensed banks as security for banking facilities granted to a subsidiary as disclosed in Note 20 to the financial statements.

8. OTHER INVESTMENT

	THE GROUP/THE COMPANY	
	2018	2017
	RM	RM
At fair value through profit or loss:		
Transferable club membership	<u>60,000</u>	<u>60,000</u>

The club membership is held in trust in the name of a director of the Company.

9. INVENTORIES

	THE GROUP/THE COMPANY	
	2018	2017
	RM	RM
Goods held for resale, at cost	<u>8,094,126</u>	<u>4,693,200</u>
<u>Recognised in profit or loss:-</u>		
Inventories recognised as cost of sales	<u>39,067,599</u>	<u>35,704,188</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

10. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables	36,000,060	46,847,981	36,251,834	46,948,901
Allowance for impairment losses	-	(24,018)	-	(23,467)
	<u>36,000,060</u>	<u>46,823,963</u>	<u>36,251,834</u>	<u>46,925,434</u>
Allowance for impairment losses:-				
At 1 January	24,018	-	23,467	-
Addition during the financial year	-	24,018	-	23,467
Bad debts written off during the financial year	(22,658)	-	(22,139)	-
Reversal during the financial year	(1,360)	-	(1,328)	-
	<u>-</u>	<u>24,018</u>	<u>-</u>	<u>23,467</u>
At 31 December	-	24,018	-	23,467

The allowance for impairment losses are made mainly on those trade receivables in significant financial difficulties and have defaulted on payments.

The Group's normal trade credit terms ranged from cash terms to 120 days (2017 - cash terms to 120 days).

[The rest of this page is intentionally left blank]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

 (Incorporated in Malaysia)
 Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

10. TRADE RECEIVABLES (CONT'D)

The ageing analysis of the Group's trade receivables as at the end of the reporting period is as follows:-

	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
THE GROUP 2018			
Not past due	29,703,249	-	29,703,249
Past due:			
- less than 3 months	5,972,940	-	5,972,940
- 3 to 6 months	220,197	-	220,197
- over 6 months	103,674	-	103,674
	36,000,060	-	36,000,060
2017			
Not past due	26,226,832	-	26,226,832
Past due:			
- less than 3 months	19,553,297	-	19,553,297
- 3 to 6 months	409,608	-	409,608
- over 6 months	658,244	(24,018)	634,226
	46,847,981	(24,018)	46,823,963
THE COMPANY 2018			
Not past due	29,661,951	-	29,661,951
Past due:			
- less than 3 months	5,964,590	-	5,964,590
- 3 to 6 months	220,197	-	220,197
- over 6 months	405,096	-	405,096
	36,251,834	-	36,251,834

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

10. TRADE RECEIVABLES (CONT'D)

	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
THE COMPANY 2017			
Not past due	26,053,978	-	26,053,978
Past due:			
- less than 3 months	19,526,199	-	19,526,199
- 3 to 6 months	409,608	-	409,608
- over 6 months	959,116	(23,467)	935,649
	<u>46,948,901</u>	<u>(23,467)</u>	<u>46,925,434</u>

Trade receivables that are neither past due nor impaired are mainly creditworthy customer who have regular transactions and good payment records with the Company.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	316,370	976,437	310,142	945,493
Deposits	3,055,615	2,766,645	2,890,335	2,601,365
Prepayments	447,592	327,426	467,897	348,723
	<u>3,819,577</u>	<u>4,070,508</u>	<u>3,668,374</u>	<u>3,895,581</u>

12. AMOUNTS OWING BY/(TO) INTERMEDIATE HOLDING COMPANY

	THE GROUP/THE COMPANY	
	2018 RM	2017 RM
Amount owing by:		
- trade	1,017,757	523,017
- non-trade	-	105,345
	<u>1,017,757</u>	<u>628,362</u>
Amount owing to:		
- trade	(2,766,212)	(16,223,605)
- non-trade	(20,993,353)	(25,689,015)
	<u>(23,759,565)</u>	<u>(41,912,620)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

12. AMOUNTS OWING BY/(TO) INTERMEDIATE HOLDING COMPANY (CONT'D)

The trade balances are subject to a normal credit term of 30 days (2017 - 30 days). The non-trade balances are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

13. AMOUNTS OWING BY/(TO) IMMEDIATE HOLDING COMPANY

	THE GROUP/THE COMPANY	
	2018	2017
	RM	RM
Amount owing by:		
- trade	126,348	276,126
Amount owing to:		
- trade	(2,397)	(5,392)
- non-trade	(2,772,132)	(2,857)
	<u>(2,774,529)</u>	<u>(8,249)</u>

The trade balances are subject to a normal credit term of 30 days (2017 - 30 days). The non-trade balances are unsecured, interest-free and repayable on demand. The amount owing are to be settled in cash.

14. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	THE COMPANY	
	2018	2017
	RM	RM
Amount owing by:		
- non-trade	3,900,000	4,829,735
Amount owing to:		
- trade	<u>(3,919,764)</u>	<u>(3,525,469)</u>

The trade balances are subject to a normal credit term of 30 days (2017 - 30 days).

The non-trade balances are unsecured and repayable on demand. The amounts owing are to be settled in cash.

A portion of amount owing by a subsidiary amounting to RM3,900,000 (2017 - RM4,300,000) bore effective interest rate at 5.99% (2017 - 5.38%) per annum. The remaining balance is interest free.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

15. AMOUNTS OWING BY/(TO) RELATED COMPANIES

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Amount owing by:				
- trade	15,812,260	24,623,153	15,743,150	24,623,153
- non-trade	160,619	145,865	160,619	145,865
	<u>15,972,879</u>	<u>24,769,018</u>	<u>15,903,769</u>	<u>24,769,018</u>
Amount owing to:				
- trade	(3,117,865)	(10,062,027)	(3,117,865)	(9,949,013)
- non-trade	(96,820)	(16,895)	(96,820)	(16,895)
	<u>(3,214,685)</u>	<u>(10,078,922)</u>	<u>(3,214,685)</u>	<u>(9,965,908)</u>

The trade balances are subject to a normal credit term of 30 days (2017 - 30 days).

The non-trade balance is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

16. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 2.80% to 3.35% (2017 - 2.55% to 3.10%) per annum and 2.80% to 3.15% (2017 - 2.55% to 2.95%) per annum respectively. The fixed deposits have maturity periods ranging from 30 days to 365 days (2017 - 30 days to 365 days) for the Group and the Company.
- (b) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period have been pledged to licensed banks as security for bank guarantee granted to the Group and the Company.
- (c) The fixed deposits are held in trust on behalf of the Company in the name of a director of the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

17. SHARE CAPITAL

	THE GROUP/THE COMPANY			
	2018 NUMBER OF SHARES	2017	2018 RM	2017 RM
Issued and Fully Paid-Up				
Ordinary Shares	<u>62,356,191</u>	<u>62,356,191</u>	<u>62,356,191</u>	<u>62,356,191</u>

18. DEFERRED TAX LIABILITY

	THE GROUP	
	2018 RM	2017 RM
Deferred tax liability		
At 1 January	1,741,647	1,760,669
Recognised in the profit or loss (Note 27)	(20,983)	(19,022)
At 31 December	<u>1,720,664</u>	<u>1,741,647</u>
Deferred tax liability is attributable to the following item:-		
Excess of property, plant and equipment's carrying amount over tax base	<u>1,720,664</u>	<u>1,741,647</u>

No deferred tax assets were recognised for the following items:-

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	559,680	640,921	-	720
Other deductible temporary differences	<u>5,628,960</u>	<u>3,566,400</u>	<u>5,525,280</u>	<u>3,490,560</u>
	<u>6,188,640</u>	<u>4,207,321</u>	<u>5,525,280</u>	<u>3,491,280</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

19. LONG-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Term loans (Note 20)	3,248,684	4,262,574	-	-
Hire purchase payables (Note 21)	-	1,043,418	-	1,043,418
	<u>3,248,684</u>	<u>5,305,992</u>	<u>-</u>	<u>1,043,418</u>

20. TERM LOANS

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
<u>Secured</u>				
Revolving short-term loan	2,000,000	3,000,000	2,000,000	3,000,000
Term loan	4,261,439	5,212,021	-	-
	<u>6,261,439</u>	<u>8,212,021</u>	<u>2,000,000</u>	<u>3,000,000</u>
The term loans are repayable as follows:-				
Current liabilities (Note 24)	3,012,755	3,949,447	2,000,000	3,000,000
Non-current liabilities (Note 19)	3,248,684	4,262,574	-	-
	<u>6,261,439</u>	<u>8,212,021</u>	<u>2,000,000</u>	<u>3,000,000</u>

Details of the term loans outstanding at the end of the reporting period are as follows:-

	Contractual Interest Rate	Date of Commencement of Repayment	THE GROUP/THE COMPANY Amount Outstanding at the end of the Reporting Period	
			2018 RM	2017 RM
Term loan	6.50%	November 2007	4,261,439	5,212,021
Revolving short-term loan	5.39%	July 2017	2,000,000	3,000,000
			<u>6,261,439</u>	<u>8,212,021</u>

- (a) Term loan has a tenure of 15 years and is repayable in 180 monthly instalments of RM104,533. Term loan is secured by a legal charge over the freehold land and building of a subsidiary.
- (b) Revolving short-term loan is secured by a corporate guarantee issued by the intermediate holding company, CJ Logistics Corporation.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

21. HIRE PURCHASE PAYABLES

	THE GROUP/THE COMPANY 2018 RM	2017 RM
Minimum hire purchase payments:		
- not later than one year	-	514,849
- later than one year and not later than five years	-	1,216,297
	-	1,731,146
Less: Future finance charges	-	245,945
Present value of hire purchase payables	-	1,485,201
Analysed by:		
Current (Note 24):		
- not later than one year	-	441,783
Non-current (Note 19):		
- later than one year and not later than five years	-	1,043,418
	-	1,485,201

The hire purchase payables of the Group and of the Company bore effective interest rates ranging from 5.61% to 6.82% per annum at the end of the previous reporting period.

22. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company is ranged from cash terms to 60 days (2017 - cash terms to 60 days).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

23. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	537,024	908,251	516,511	848,972
Accruals	4,566,118	3,247,464	4,318,015	3,026,629
	<u>5,103,142</u>	<u>4,155,715</u>	<u>4,834,526</u>	<u>3,875,601</u>

24. SHORT-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Term loan (Note 20)	1,012,755	949,447	-	-
Revolving short-term loan (Note 20)	2,000,000	3,000,000	2,000,000	3,000,000
Hire purchase payables (Note 21)	-	441,783	-	441,783
	<u>3,012,755</u>	<u>4,391,230</u>	<u>2,000,000</u>	<u>3,441,783</u>

25. REVENUE

The revenue represents services rendered and sale of resin which was recognised at a point in time.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)
CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**
26. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Allowance for impairment losses on trade receivables	-	24,018	-	23,467
Auditors' remuneration	78,000	80,000	54,000	54,000
Bad debts written off	22,874	-	22,874	-
Deposit forfeited	-	79,200	-	-
Depreciation of property, plant and equipment	2,021,408	2,116,642	1,532,952	1,608,649
Directors' non-fee emoluments	1,050,451	879,343	982,799	813,094
Equipment written off	-	92,552	-	49,543
Interest expense:				
- term loans	436,422	568,074	132,607	204,594
- hire purchase	151,625	73,065	151,625	73,065
Loss on foreign exchange:				
- realised	-	963	-	-
- unrealised	893,724	-	893,724	-
Rental of:				
- crane, forklift and generator	2,140,019	1,224,494	1,786,719	865,694
- equipment	77,295	58,170	77,295	58,170
- premises	489,017	430,667	489,017	430,667
- warehouse	7,566,580	6,310,057	9,956,980	8,700,457
Staff costs:				
- salaries and other benefits	22,323,804	18,856,437	19,440,142	16,009,413
- defined contribution plan	1,733,839	1,472,522	1,407,883	1,147,094
Gain on foreign exchange:				
- realised	(1,915,606)	(1,210,361)	(1,915,606)	(1,210,351)
- unrealised	-	(3,589,780)	-	(3,589,780)
Interest income:				
- fixed deposits with licensed banks	(277,631)	(206,616)	(260,864)	(193,239)
- loan to subsidiary	-	-	(232,981)	(247,498)
Gain on disposal of equipment	(1,313)	(851)	(1,313)	(851)
Provision/(Reversal) of cargo claim	250,000	(81,631)	250,000	(81,631)
Reversal of allowance for impairment losses on trade receivable	(1,360)	-	(1,328)	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

27. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax:				
- for the current financial year	4,850,000	2,010,000	4,300,000	1,630,000
- overprovision in the previous financial year	(1,595,667)	(2,154)	(1,598,395)	(511)
	<u>3,254,333</u>	<u>2,007,846</u>	<u>2,701,605</u>	<u>1,629,489</u>
Deferred tax (Note 18):				
- for the current financial year	(20,983)	(9,022)	-	-
- overprovision in the previous financial year	-	(10,000)	-	-
	<u>(20,983)</u>	<u>(19,022)</u>	<u>-</u>	<u>-</u>
	<u>3,233,350</u>	<u>1,988,824</u>	<u>2,701,605</u>	<u>1,629,489</u>

[The rest of this page is intentionally left blank]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

27. INCOME TAX EXPENSE (CONT'D)

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation	7,400,696	8,526,837	5,196,923	6,198,845
Tax at the statutory tax rate of 24%	1,776,167	2,046,441	1,247,262	1,487,723
Tax effects of:-				
Non-deductible expenses	1,071,531	766,644	1,018,738	695,183
Non-taxable income	-	(1,446,538)	-	(1,446,538)
Deferred tax assets not recognised during the financial year	2,163,120	1,908,870	2,034,720	1,778,975
Utilisation of deferred tax assets not recognised in the previous financial year	(181,801)	(1,274,439)	(720)	(885,343)
Overprovision in the previous financial year:				
- current tax	(1,595,667)	(2,154)	(1,598,395)	(511)
- deferred tax	-	(10,000)	-	-
Income tax expense for the financial year	3,233,350	1,988,824	2,701,605	1,629,489

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of increase in the chargeable income from business, as compared to that of the immediate preceding year of assessment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

28. CASH FLOW INFORMATION

The cash and cash equivalents comprise the following:

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed banks	1,203,155	1,165,578	1,070,210	1,039,561
Cash and bank balances	13,248,895	9,434,043	12,467,311	8,769,464
	<u>14,452,050</u>	<u>10,599,621</u>	<u>13,537,521</u>	<u>9,809,025</u>
Less: Fixed deposits pledged with licensed banks (Note 16)	(1,203,155)	(1,165,578)	(1,070,210)	(1,039,561)
	<u>13,248,895</u>	<u>9,434,043</u>	<u>12,467,311</u>	<u>8,769,464</u>

29. RELATED PARTY DISCLOSURES
(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

29. RELATED PARTY DISCLOSURES (CONT'D)
(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Intermediate holding company				
Freight and handling charges payable	4,850,094	30,965,679	4,850,094	30,965,679
Freight and handling income receivable	4,905,498	3,870,712	4,905,498	3,870,712
Consultancy fee payable	1,011,133	1,930,935	1,011,133	1,930,935
Royalty fee payable	3,016,118	6,546,975	3,016,118	6,546,975
Immediate holding company				
Freight and handling charges payable	50,627	13,657	50,627	13,657
Freight and handling income receivable	979,377	1,566,538	979,377	1,566,538
Management fee payable	1,674,430	-	1,674,430	-
IT service fee payable	1,097,702	-	1,097,702	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

29. RELATED PARTY DISCLOSURES (CONT'D)
(b) Significant Related Party Transactions and Balances (Cont'd)

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Related companies				
Freight and handling charges payable	9,551,250	14,079,878	9,176,357	13,313,102
Freight and handling income receivable	93,695,220	100,145,818	93,619,451	100,099,418
IT service fee payable	125,388	113,535	125,388	113,535
Data storage management fee payable	15,514	5,123	15,514	5,123
Subsidiaries				
Freight and handling charges payable	-	-	14,566,495	14,405,597
Freight and handling income receivable	-	-	37,349	50,554
Warehouse and equipment rental payable	-	-	2,390,400	2,390,400
Interest receivable	-	-	232,981	247,498
Key management personnel compensation				
Short-term employee benefits	1,050,451	879,342	982,799	813,094

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

30. OPERATING LEASE COMMITMENTS
Leases as Lessee

The Group leases a number of facilities and warehouse under non-cancellable operating leases. The lease periods range from 1 to 5 years (2017 - 1 to 3 years) with an option to renew after that date.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	THE GROUP/THE COMPANY	
	2018	2017
	RM	RM
Rental of premises and equipment:		
- Within one year	6,302,259	7,111,383
- Two to five years	5,117,790	2,036,424
	11,420,049	9,147,807

31. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

31.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risks
(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Euro and United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

THE GROUP 2018	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
<u>Financial Assets</u>			
Other investment	-	60,000	60,000
Trade receivables	101,456	35,898,604	36,000,060
Other receivables and deposits	-	3,371,985	3,371,985
Amount owing by intermediate holding company	1,017,757	-	1,017,757
Amount owing by immediate holding company	126,348	-	126,348
Amount owing by related companies	485,365	15,487,514	15,972,879
Fixed deposits with licensed banks	-	1,203,155	1,203,155
Cash and bank balances	189,355	13,059,540	13,248,895
	1,920,281	69,080,798	71,001,079

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

	THE GROUP 2018	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
<u>Financial Liabilities</u>				
Trade payables	1,589,040	17,895,902	19,484,942	
Other payables and accruals	-	5,103,142	5,103,142	
Amount owing to intermediate holding company	23,759,565	-	23,759,565	
Amount owing to immediate holding company	2,774,529	-	2,774,529	
Amount owing to related companies	2,088,196	1,126,489	3,214,685	
Term loans	-	6,261,439	6,261,439	
	30,211,330	30,386,972	60,598,302	

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)**

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

THE GROUP 2018	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
Net financial (liabilities)/assets	(28,291,049)	38,693,826	10,402,777
Less: Net financial assets denominated in the Group's functional currency	-	(38,693,826)	(38,693,826)
Currency exposure	(28,291,049)	-	(28,291,049)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
THE GROUP 2017			
Financial Assets			
Other investment	-	60,000	60,000
Trade receivables	467,277	46,356,686	46,823,963
Other receivables and deposits	-	3,743,082	3,743,082
Amount owing by intermediate holding company	628,362	-	628,362
Amount owing by immediate holding company	276,126	-	276,126
Amount owing by related companies	1,095,174	23,673,844	24,769,018
Fixed deposits with licensed banks	-	1,165,578	1,165,578
Cash and bank balances	438,890	8,995,153	9,434,043
	2,905,829	83,994,343	86,900,172

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)***(i) Foreign Currency Risk (Cont'd)**Foreign Currency Exposure (Cont'd)*

THE GROUP 2017	EURO RM	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
<i>Financial Liabilities</i>				
Trade payables	7,261	1,051,058	13,057,588	14,115,907
Other payables and accruals	-	-	4,155,715	4,155,715
Amount owing to intermediate holding company	-	41,912,620	-	41,912,620
Amount owing to immediate holding company	-	8,249	-	8,249
Amount owing to related companies	-	9,956,735	122,187	10,078,922
Hire purchase payables	-	-	1,485,201	1,485,201
Term loans	-	-	8,212,021	8,212,021
	7,261	52,928,662	27,032,712	79,968,635

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

THE GROUP 2017	EURO RM	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
Net financial (liabilities)/assets	(7,261)	(50,022,833)	56,961,631	6,931,537
Less: Net financial assets denominated in the Group's functional currency	-	-	(56,961,631)	(56,961,631)
Currency exposure	(7,261)	(50,022,833)	-	(50,030,094)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)**

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	THE COMPANY 2018	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
<u>Financial Assets</u>				
Other investment		-	60,000	60,000
Trade receivables		101,456	36,150,378	36,251,834
Other receivables and deposits		-	3,200,477	3,200,477
Amount owing by intermediate holding company		1,017,757	-	1,017,757
Amount owing by intermediate holding company		126,348	-	126,348
Amount owing by subsidiaries		-	3,900,000	3,900,000
Amount owing by related companies		485,365	15,418,404	15,903,769
Fixed deposits with licensed banks		-	1,070,210	1,070,210
Cash and bank balances		189,355	12,277,956	12,467,311
		1,920,281	72,077,425	73,997,706

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

	THE COMPANY 2018	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
Financial Liabilities				
Trade payables		1,589,040	16,958,375	18,547,415
Other payables and accruals		-	4,834,526	4,834,526
Amount owing to intermediate holding company		23,759,565	-	23,759,565
Amount owing to immediate holding company		2,774,529	-	2,774,529
Amount owing to subsidiaries		-	3,919,764	3,919,764
Amount owing to related companies		2,088,196	1,126,489	3,214,685
Term loans		-	2,000,000	2,000,000
		30,211,330	28,839,154	59,050,484

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

THE COMPANY 2018	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
Net financial assets/(liabilities)	(28,291,049)	43,238,271	14,947,222
Less: Net financial assets denominated in the Company's functional currency	-	(43,238,271)	(43,238,271)
Currency exposure	(28,291,049)	-	(28,291,049)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
THE COMPANY 2017			
<u>Financial Assets</u>			
Other investment	-	60,000	60,000
Trade receivables	467,277	46,458,157	46,925,434
Other receivables and deposits	-	3,546,858	3,546,858
Amount owing by intermediate holding company	628,362	-	628,362
Amount owing by immediate holding company	276,126	-	276,126
Amount owing by subsidiaries	-	4,829,735	4,829,735
Amount owing by related companies	1,095,174	23,673,844	24,769,018
Fixed deposits with licensed banks	-	1,039,561	1,039,561
Cash and bank balances	438,890	8,330,574	8,769,464
	2,905,829	87,938,729	90,844,558

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

	EURO RM	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
THE COMPANY 2017	7,261	1,051,058	12,345,391	13,403,710
Financial Liabilities	-	-	3,875,601	3,875,601
Trade payables	-	41,912,620	-	41,912,620
Other payables and accruals	-	8,249	-	8,249
Amount owing to intermediate holding company	-	-	3,525,469	3,525,469
Amount owing to immediate holding company	-	9,956,735	9,173	9,965,908
Amount owing to subsidiaries	-	-	1,485,201	1,485,201
Amount owing to related companies	-	-	3,000,000	3,000,000
Hire purchase payables	-	-	-	-
Term loans	-	-	-	-
	7,261	52,928,662	24,240,835	77,176,758

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)****(i) Foreign Currency Risk (Cont'd)****Foreign Currency Exposure (Cont'd)**

THE COMPANY 2017	EURO RM	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
Net financial assets/(liabilities)	(7,261)	(50,022,833)	63,697,894	13,667,800
Less: Net financial assets denominated in the Company's functional currency	-	-	(63,697,894)	(63,697,894)
Currency exposure	(7,261)	(50,022,833)	-	(50,030,094)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)
31.1 Financial Risk Management Policies (Cont'd)
(a) Market Risks (Cont'd)
(i) Foreign Currency Risk (Cont'd)
Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP/THE COMPANY	
	2018	2017
	RM	RM
Effects On Profit After Taxation		
Euro:		
- strengthened by 5%	-	(276)
- weakened by 5%	-	276
United States Dollar:		
- strengthened by 5%	(1,075,060)	(1,900,868)
- weakened by 5%	1,075,060	1,900,868

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)
31.1 Financial Risk Management Policies (Cont'd)
(a) Market Risks (Cont'd)
(ii) Interest Rate Risk (Cont'd)

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined by MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to the interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 31.1(c) to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Effects On Profit After Taxation				
Increase of 100 basis points	(47,587)	(62,411)	(15,200)	(22,800)
Decrease of 100 basis points	47,587	62,411	15,200	22,800

(iii) Equity Price Risk

The Group does not have any quoted investment and hence, is not exposed to equity price risk.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)
31.1 Financial Risk Management Policies (Cont'd)
(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	THE GROUP		THE COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	35,909,091	46,367,935	36,160,865	46,469,406
Republic of Korea	4,332	3,286	4,332	3,286
Others	86,637	452,742	86,637	452,742
	<u>36,000,060</u>	<u>46,823,963</u>	<u>36,251,834</u>	<u>46,925,434</u>

(ii) Exposure to credit risk

The Group and the Company manage their credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 10. As the Group and the Company only deal with reputable financial institutions, the credit risk associated with deposits placed with them is low.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)**31.1 Financial Risk Management Policies (Cont'd)****(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

[The rest of this page is intentionally left blank]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)**

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP 2018	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	19,484,942	19,484,942	19,484,942	-
Other payables and accruals	-	5,103,142	5,103,142	5,103,142	-
Amount owing to intermediate holding company	-	23,759,565	23,759,565	23,759,565	-
Amount owing to immediate holding company	-	2,774,529	2,774,529	2,774,529	-
Amount owing to related companies	-	3,214,685	3,214,685	3,214,685	-
Term loans	5.39 - 6.50	6,261,439	6,806,329	3,254,396	3,551,933
		60,598,302	61,143,192	57,591,259	3,551,933

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	OVER 1 - 5 YEARS RM
THE GROUP 2017					
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	14,115,907	14,115,907	14,115,907	-
Other payables and accruals	-	4,155,715	4,155,715	4,155,715	-
Amount owing to intermediate holding company	-	41,912,620	41,912,620	41,912,620	-
Amount owing to intermediate holding company	-	8,249	8,249	8,249	-
Amount owing to related companies	-	10,078,922	10,078,922	10,078,922	-
Hire purchase payables	5.61 - 6.82	1,485,201	1,731,146	514,849	1,216,297
Term loans	5.38 - 6.50	8,212,021	8,916,520	4,283,011	4,633,509
		79,968,635	80,919,079	75,069,273	5,849,806

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)****(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM
THE COMPANY 2018				
<u>Non-derivative Financial Liabilities</u>				
Trade payables	-	18,547,415	18,547,415	18,547,415
Other payables and accruals	-	4,834,526	4,834,526	4,834,526
Amount owing to intermediate holding company	-	23,759,565	23,759,565	23,759,565
Amount owing to immediate holding company	-	2,774,529	2,774,529	2,774,529
Amount owing to subsidiaries	-	3,919,764	3,919,764	3,919,764
Amount owing to related companies	-	3,214,685	3,214,685	3,214,685
Term loans	5.39	2,000,000	2,000,000	2,000,000
		59,050,484	59,050,484	59,050,484

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.(Incorporated in Malaysia)
Company No: 416149 - W**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****31. FINANCIAL INSTRUMENTS (CONT'D)****31.1 Financial Risk Management Policies (Cont'd)**

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM
THE COMPANY 2017					
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	13,403,710	13,403,710	13,403,710	-
Other payables and accruals	-	3,875,601	3,875,601	3,875,601	-
Amount owing to intermediate holding company	-	41,912,620	41,912,620	41,912,620	-
Amount owing to immediate holding company	-	8,249	8,249	8,249	-
Amount owing to subsidiaries	-	3,525,469	3,525,469	3,525,469	-
Amount owing to related companies	-	9,965,908	9,965,908	9,965,908	-
Hire purchase payables	5.61 - 6.82	1,485,201	1,731,146	514,849	1,216,297
Term loans	5.38	3,000,000	3,000,000	3,000,000	-
		77,176,758	77,422,703	76,206,406	1,216,297

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)

Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)**31.2 Capital Risk Management**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

[The rest of this page is intentionally left blank]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)

31.3 Classification of Financial Instruments

	2018	
	The Group RM	The Company RM
Financial Assets		
<u>Mandatorily at Fair Value Through Profit or Loss</u>		
Other investment	60,000	60,000
<u>Amortised Cost</u>		
Trade receivables	36,000,060	36,251,834
Other receivables and deposits	3,371,985	3,200,477
Amount owing by intermediate holding company	1,017,757	1,017,757
Amount owing by immediate holding company	126,348	126,348
Amount owing by subsidiaries	-	3,900,000
Amount owing by related companies	15,972,879	15,903,769
Fixed deposits with licensed banks	1,203,155	1,070,210
Cash and bank balances	13,248,895	12,467,311
	<u>70,941,079</u>	<u>73,937,706</u>
	2017	
	The Group RM	The Company RM
Financial Assets		
<u>Available-for-sale financial asset</u>		
Other investment	60,000	60,000
<u>Loans and Receivables</u>		
<u>Financial Assets</u>		
Trade receivables	46,823,963	46,925,434
Other receivables and deposits	3,743,082	3,546,858
Amount owing by intermediate holding company	628,362	628,362
Amount owing by immediate holding company	276,126	276,126
Amount owing by subsidiaries	-	4,829,735
Amount owing by related companies	24,769,018	24,769,018
Fixed deposits with licensed banks	1,165,578	1,039,561
Cash and bank balances	9,434,043	8,769,464
	<u>86,840,172</u>	<u>90,784,558</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31 DECEMBER 2018 (CONT'D)

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)**31.3 Classification of Financial Instruments (Cont'd)**

	2018	
	The Group RM	The Company RM
Financial Liabilities		
<u>Amortised Cost</u>		
Trade payables	19,484,942	18,547,415
Other payables and accruals	5,103,142	4,834,526
Amount owing to intermediate holding company	23,759,565	23,759,565
Amount owing to immediate holding company	2,774,529	2,774,529
Amount owing to subsidiaries	-	3,919,764
Amount owing to related companies	3,214,685	3,214,685
Term loans	6,261,439	2,000,000
	60,598,302	59,050,484

	2017	
	The Group RM	The Company RM
Financial Liabilities		
<u>Other Financial Liabilities</u>		
Trade payables	14,115,907	13,403,710
Other payables and accruals	4,155,715	3,875,601
Amount owing to intermediate holding company	41,912,620	41,912,620
Amount owing to immediate holding company	8,249	8,249
Amount owing to subsidiaries	-	3,525,469
Amount owing to related companies	10,078,922	9,965,908
Hire purchase payables	1,485,201	1,485,201
Term loans	8,212,021	3,000,000
	79,968,635	77,176,758

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CJKX GROUP FOR THE FYE 31
DECEMBER 2018 (CONT'D)**

CJ KOREA EXPRESS MALAYSIA SDN. BHD.

(Incorporated in Malaysia)
Company No: 416149 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

31. FINANCIAL INSTRUMENTS (CONT'D)**31.4 Fair Value Information**

Except for the other investment, there were no other financial instruments carried at fair values in the statements of financial position at the end of the reporting period.

The fair values of the financial assets and financial liabilities of the Group and of the Company that maturing within the next 12 months approximated their respective carrying amounts due to the relatively short-term maturity of the financial instruments or repayable upon demand terms.

The fair value of term loans that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined on cash flows discounted using the current market borrowing rates ranging from 5.39% to 6.50% (2017 - 5.38% to 6.82%) and the fair value is within level 2 of the fair value hierarchy.

DIRECTORS' REPORT ON THE CJKX GROUP



CJ Korea Express Malaysia Sdn Bhd (416149-W)

Suite 8.01, Level 8, IMS2,
No. 88, Jalan Batai Laut 4,
Taman Intan, 41300 Klang,
Selangor Darul Ehsan, Malaysia.
Tel : 603-3361 2888
Fax : 603-3341 6226/4231, 03-3345 2894
Website: www.cjkoreaexpress.co.kr

Date: 5 May 2020

The Board of Directors
CJ Century Logistics Holdings Berhad
No.12, Persiaran Astana / KU2
Bandar Bukit Raja
41050 Klang
Selangor Darul Ehsan

By Hand

Dear Sir/Madam,

On behalf of the Board of Directors of CJ Korea Express Malaysia Sdn Bhd ("CJKX"), we wish to report that after due inquiries in relation to CJKX and its subsidiaries ("CJKX Group") during the period from 31 December 2018 (being the date to which the last audited consolidated financial statements of the CJKX Group have been made up) to the date herein (being a date not earlier than fourteen (14) days before the issue of this Circular):

- (i) in the opinion of the Board of Directors, the business of the CJKX Group has been satisfactorily maintained;
- (ii) in the opinion of the Board of Directors, no circumstances have arisen since the last audited financial statements of the CJKX Group, which have adversely affected the trading or the value of the assets of the CJKX Group;
- (iii) the current assets of the CJKX Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities by reason of any guarantee or indemnity given by the CJKX Group;
- (v) there has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings, since the last audited financial statements of the CJKX Group; and
- (vi) there has been no material change in the published reserves or any unusual factor affecting the profits of the CJKX Group, since the last audited financial statements of the CJKX Group.

Yours faithfully,
For and on behalf of the Board of Directors of
CJ Korea Express Malaysia Sdn Bhd


KIM PIL YOUNG
Director

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

All information relating to the CJKX Group and the Vendor has been extracted from information provided by the directors/management/appointed representatives of the CJKX Group. Therefore, the responsibility of the Board is restricted to ensuring that such information is accurately reproduced in this Circular.

The Board also takes responsibility in ensuring that all relevant information in relation to CJ Century Group that was provided to the Independent Adviser for its evaluation of the Proposals is accurate and that no other fact, the omission of which would make any information provided to the Independent Adviser false or misleading.

2. CONSENTS AND CONFLICTS OF INTEREST**2.1 CIMB**

CIMB, being our Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to include its name and all references thereto in this Circular in the form and context in which they appear.

CIMB has also been appointed as the principal adviser to the Vendor for the Proposed Exemption. CIMB is of the view that such appointment does not result in a conflict of interest situation in respect of its capacity as the Principal Adviser for the Proposals since our Board (save for the Interested Directors) has appointed Mercury Securities as the Independent Adviser to advise the Non-Interested Directors and Non-Interested Shareholders in relation to the Proposals. In addition, our Board is fully informed of and is aware of CIMB's capacity as the Principal Adviser to our Company for the Proposals and the principal adviser to the Vendor for the Proposed Exemption.

CIMB, its related and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**"), form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to CIMB's role as Principal Adviser for the Proposals. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group or our shareholders or their affiliates or any other entity or person, hold long or short positions in securities issued by our Company or any of our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Company and our affiliates. This is a result of the businesses of the CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest in or take actions that may conflict with the interests of our Company.

CIMB confirms that it is not aware of any circumstances that would give rise to a possible conflict of interest situation in its capacity as the Principal Adviser for the Proposals.

ADDITIONAL INFORMATION (CONT'D)

2.2 Mercury Securities

Mercury Securities, being our Independent Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to include its name, the IAL and all references thereto in this Circular in the form and context in which they appear.

Mercury Securities also confirms that it is not aware of any conflict of interest which exists or is likely to exist in its role as the Independent Adviser for the Proposals.

2.3 Messrs. Lee Choon Wan & Co

Messrs. Lee Choon Wan & Co. confirms that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the solicitors to CJ Century for the Proposed Acquisition.

3. MATERIAL CONTRACTS

As at the LPD, save and except for the SSPA and save as disclosed below, the CJ Century Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of the SSPA and up to the LPD:

(i) Assets sale and purchase agreement dated 24 August 2018 between CJKX (Vendor) and CJ Century Logistics Sdn Bhd (Purchaser)

Purpose	: Sale and purchase of courier assets
Purchase Consideration	: RM1,751,530, via cash
Status as at the LPD	: Completed

4. MATERIAL LITIGATION

As at the LPD, the CJ Century Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the CJ Century Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the CJ Century Group.

5. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, there are no material capital commitments contracted or known to be contracted by our Group, which may have a material impact on the financial results/position of our Group:

Property, plant and equipment:	RM'000
Approved and contracted for	22,491
Approved but not contracted for	4,376
	26,867

ADDITIONAL INFORMATION (CONT'D)

6. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results/position of our Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of CJ Century at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia during normal business hours from Monday to Friday (except public holidays) from the date of this Circular, up to and including the date of the forthcoming EGM, or any adjournment thereof:

- (i) the constitutions of CJ Century and CJKX;
- (ii) the SSPA;
- (iii) our audited consolidated financial statements for the past two (2) FYE 31 December 2019 and 31 December 2018;
- (iv) the audited consolidated financial statements of CJKX for the past two (2) FYE 31 December 2018 and 31 December 2017 and the latest unaudited results for the FYE 31 December 2019;
- (v) the material contracts as referred to in **Section 6** of Appendix I and **Section 3** of Appendix IV; and
- (vi) the letters of consent as referred to in **Section 2** of Appendix IV.

(The rest of this page has been intentionally left blank)



CJ CENTURY LOGISTICS HOLDINGS BERHAD

[Registration No. 199701008845 (424341-A)]
Incorporated in Malaysia

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of **CJ Century Logistics Holdings Berhad** (“**CJ Century**” or “**Company**”) will be held on a fully virtual basis at the Broadcast Venue: **The Conference Room, No. 12, Persiaran Astana / KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan, Malaysia on Thursday, 28 May 2020 at 11:00 a.m.** or immediately after the conclusion or adjournment (as the case may be) of the Postponed Twenty-Third Annual General Meeting of CJ Century to be held at the same broadcast venue on the same day at 10:00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CJ KOREA EXPRESS MALAYSIA SDN BHD (“CJKX”) FROM CJ LOGISTICS ASIA PTE LTD (“CJ ASIA”) FOR A PURCHASE CONSIDERATION OF RM100,000,000 TO BE SATISFIED VIA THE ISSUANCE OF 200,000,000 NEW ORDINARY SHARES IN CJ CENTURY AT THE ISSUE PRICE OF RM0.50 EACH (“PROPOSED ACQUISITION”)

“**THAT**, subject to the passing of Ordinary Resolution 2, and subject to the applicable approvals of all relevant authorities or parties being obtained (where required), approval be and is hereby given to CJ Century to acquire all the 62,356,191 ordinary shares in CJKX, representing 100% of the issued share capital of CJKX from CJ Asia, for a purchase consideration of RM100,000,000 to be satisfied via the issuance of 200,000,000 new ordinary shares in CJ Century (“**Consideration Shares**”) to CJ Asia at the issue price of RM0.50 per Consideration Share, subject to the terms and conditions of the share sale and purchase agreement dated 12 February 2020, between CJ Asia and CJ Century;

THAT approval be and is hereby given to the Board of Directors of CJ Century (“**Board**”) to allot and issue the Consideration Shares to CJ Asia for the purpose of satisfaction of the total purchase consideration for the Proposed Acquisition;

THAT the Consideration Shares shall, upon issuance and allotment, be of the same class and rank *pari passu* in all respect with the then existing ordinary shares in CJ Century, save and except that the holders of such Consideration Shares shall not be entitled to any dividends and/or other distributions declared by CJ Century, the entitlement date of which is prior to the date of allotment of the Consideration Shares, and shall be free from all encumbrances;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Acquisition with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds, things and matters for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition.”

ORDINARY RESOLUTION 2

PROPOSED EXEMPTION UNDER SUBPARAGRAPH 4.08(1)(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS (“RULES”) FOR CJ ASIA, FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE THE REMAINING ORDINARY SHARES IN CJ CENTURY NOT ALREADY OWNED BY IT UPON COMPLETION OF THE PROPOSED ACQUISITION (“PROPOSED EXEMPTION”)

“**THAT**, subject to the passing of Ordinary Resolution 1, and subject to the approval from the Securities Commission Malaysia (“**SC**”) being obtained and/or any other relevant authorities or parties (where required) including such conditions as may be imposed by the SC, approval be and is hereby given for CJ Asia to be exempted from the obligation to undertake a mandatory take-over offer to acquire all the remaining ordinary shares in CJ Century not already held by CJ Asia upon completion of the Proposed Acquisition in accordance with subparagraph 4.08(1)(a) of the Rules;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Exemption with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds, things and matters for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Exemption.”

By Order of the Board
CJ CENTURY LOGISTICS HOLDINGS BERHAD

CHUA SIEW CHUAN (MAICSA 0777689)
SSM PC No.: 201908002648

YEOW SZE MIN (MAICSA 7065735)
SSM PC No.: 201908003120

Company Secretaries
Kuala Lumpur, Malaysia
6 May 2020

Notes:

1. *In respect of depositories securities, only members whose names appear in the Record of Depositors on 21 May 2020 (General Meeting Record of Depositors) shall be eligible to participate, speak and vote at the meeting.*
2. *A shareholder of the Company entitled to participate and vote at the meeting is entitled to appoint one (1) or more proxies to participate, speak and vote in his stead. A member may appoint more than one (1) proxy in relation to the meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.*
3. *A proxy may but need not be a shareholder of the Company and a shareholder may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate, speak and vote at the meeting shall have the same rights as the shareholder to speak at the meeting.*
4. *The instrument appointing a proxy shall be in writing under the hand of the shareholder/appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Common Seal or under the hand of an officer or attorney duly authorised.*
5. *Where a shareholder of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“**SICDA**”) which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damansara, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshb.com.my, not less than forty-eight (48) hours before the time for holding the meeting or adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshb.net.my/login.aspx>. Please refer to the Administrative Guide on the Conduct of a Fully Virtual General Meeting for further details. All resolutions set out in this notice of meeting are to be voted by poll.*



CJ CENTURY LOGISTICS HOLDINGS BERHAD

[Registration No. 199701008845 (424341-A)]

Incorporated in Malaysia

FORM OF PROXY

*I/We (full name), _____
bearing *NRIC No./Passport No./Company No. _____
of (full address) _____
being a member of CJ Century Logistics Holdings Berhad ("**the Company**") hereby appoint:-

First Proxy "A"

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

*and

Second Proxy "B"

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

to put on a separate sheet where there are more than two (2) proxies

100%

*or the CHAIRMAN OF THE MEETING, as *my / our proxy to participate and vote for * me / us and on *my / our behalf at the Extraordinary General Meeting of CJ Century Logistics Holdings Berhad to be held on a fully virtual basis at the Broadcast Venue: **The Conference Room, No. 12, Persiaran Astana / KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan, Malaysia on Thursday, 28 May 2020 at 11:00 a.m.** or immediately after the conclusion or adjournment (as the case may be) of the Postponed Twenty-Third Annual General Meeting of CJ Century to be held at the same broadcast venue on the same day at 10:00 a.m., whichever is later, in the manner indicated below:-

(Please indicate with an "X" in the space provided below how you wish your proxy to vote. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.)

NO.	RESOLUTION	FOR	AGAINST
1.	Ordinary Resolution – Proposed Acquisition		
2.	Ordinary Resolution – Proposed Exemption		

* Strike out whichever not applicable

As witness my/our hand this _____ day of _____ 2020.

Signature of Member/Common
Seal

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	



Fold this flap for sealing

Notes:

1. *In respect of depositories securities, only members whose names appear in the Record of Depositors on 21 May 2020 (General Meeting Record of Depositors) shall be eligible to participate, speak and vote at the meeting.*
2. *A shareholder of the Company entitled to participate and vote at the meeting is entitled to appoint one (1) or more proxies to participate, speak and vote in his stead. A member may appoint more than one (1) proxy in relation to the meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.*
3. *A proxy may but need not be a shareholder of the Company and a shareholder may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate, speak and vote at the meeting shall have the same rights as the shareholder to speak at the meeting.*
4. *The instrument appointing a proxy shall be in writing under the hand of the shareholder/appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Common Seal or under the hand of an officer or attorney duly authorised.*
5. *Where a shareholder of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan or submitted via fax at 03-2094 9940 and/or 03-2095 0292 or emailed to info@sshsb.com.my, not less than forty-eight (48) hours before the time for holding the meeting or adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at <https://www.sshsb.net.my/login.aspx>. Please refer to the Administrative Guide on the Conduct of a Fully Virtual General Meeting for further details. All resolutions set out in the notice of meeting are to be voted by poll.*

Then fold here

AFFIX
STAMP

The Company Secretary
CJ CENTURY LOGISTICS HOLDINGS BERHAD
[Registration No. 199701008845 (424341-A)]
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

1st fold here