

# WORLDGATE GLOBAL LOGISTICS LTD

## 盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8292

ANNUAL REPORT 2023



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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Mr. Lai Kwok Hei (*Chairman*)

Mr. Chan Kin Ho Philip (*Chief Executive Officer*)

#### Independent Non-executive Directors

Ms. Wong Hoi Yan Audrey

Ms. Cheung Choi Hung

Mr. Ma Kin Hung

#### Compliance Officer

Mr. Chan Kin Ho Philip

#### Authorised Representatives

Mr. Lai Kwok Hei

Mr. Shum Shing Kei

#### Audit Committee

Ms. Wong Hoi Yan Audrey (*Chairman*)

Mr. Ma Kin Hung

Ms. Cheung Choi Hung

#### Remuneration Committee

Ms. Wong Hoi Yan Audrey (*Chairman*)

Mr. Ma Kin Hung

Ms. Cheung Choi Hung

#### Nomination Committee

Mr. Ma Kin Hung (*Chairman*)

Mr. Lai Kwok Hei

Ms. Cheung Choi Hung

#### Company Secretary

Mr. Shum Shing Kei

#### Registered Office

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

#### Headquarters and Principal Place of Business in Malaysia

No. 42, Jalan Puteri 2/2

Bandar Puteri Puchong

47100 Puchong

Selangor Darul Ehsan

Malaysia

#### Principal Place of Business in Hong Kong

Unit 5D, 5/F, Hang Cheong Factory Building

No. 1 Wing Ming Street

Kowloon

Hong Kong

#### Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

#### Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited

Room 2103B, 21/F

148 Electric Road

North Point

Hong Kong

#### Auditor

Elite Partners CPA Limited

*Certified Public Accountants*

#### Principal Bankers

China Construction Bank (Asia) Corporation Limited

Hang Seng Bank

Malayan Banking BHD

Public Bank BHD

Alliance Bank Malaysia BHD

#### Website

[www.worldgate.com.hk](http://www.worldgate.com.hk)

#### Stock Code

8292



# CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023 (the "Financial Year").

The Group is a well-established integrated logistics solution provider in Malaysia and Hong Kong principally engaged in providing international freight forwarding and logistics services, with a primary focus on air/sea freight forwarding and related services, trucking and warehousing to customers worldwide, manufacturing and sale of plastic products in Vietnam and trading of used mobile phones.

## Business Review

### Integrated Logistics Services Business

The Group offers a comprehensive and wide range of services to meet its customers' needs, including air/sea freight forwarding and related services, trucking and warehousing related services. In addition, the Group provides value-added services such as supply chain management services including pick & pack, distribution and stock & inventory report, security escort services and tracking services. These services are complementary to one another, and provide customers a wide range of services with cost savings. Although the freight forwarding industry in Malaysia is highly fragmented and competitive, in particular, we directly and indirectly compete with other integrated logistics service providers on a local, regional and international basis in the form of pricing, range of services provided, information technology and network of customer, the Group implement logistics service in Hong Kong with the intention to strengthen the market position. The Group closely monitor the market situations and make necessary adjustments to its strategies and operations.

Our integrated logistics services can be broadly categorised into (1) air freight forwarding and related services; (2) sea freight forwarding and related services; and (3) trucking and warehousing and related services.

#### 1. Air Freight Forwarding and Related Services

During the Financial Year, the global buying power decreased since overstock was kept by the customers from previous years. Besides, normal freight forwarder business was partly replaced by courier express services since consumers has changed to online purchasing, thus, the revenue from the air freight services was accounted for approximately RM8.5 million (2022: RM27.6 million), representing a decrease of about 69.4% as compared to that of last year. Revenue from air freight services mainly consists of fee of import and export air freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to air freight. Such revenue is mainly driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume of the Group's air freight forwarding and related services for the year ended 31 December 2023 and 2022 is set out in the table as below:

	For the year ended 31 December	
	2023 '000 kg	2022 '000 kg
Air freight shipment volume		
(a) Export	2,057	5,617
(b) Import	1,063	1,362





## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. Sea Freight Forwarding and Related Services

During the Financial Year, the revenue from the sea freight services was the largest source of income which accounted for approximately RM16.7 million (2022: RM27.9 million). Revenue from sea freight services decreased by about 40.2% as compared that of last year. Having confronted by the impact of the COVID-19 pandemic for the past three years, the general economic and market conditions in Malaysia affected enormously, customers placed less orders or even liquidated which leading the revenue from sea freight services reduced of approximately RM11.2 million when compared with last year. Revenue from sea freight services mainly consists of fee of import and export sea freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to sea freight. Such revenue is driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume in TEU of the Group's sea freight forwarding and related services for the year ended 31 December 2023 and 2022 is set out in the table as below:

	For the year ended 31 December	
	2023 TEU	2022 TEU
Sea freight shipment volume		
(a) Export	4,362	5,472
(b) Import	4,052	4,975

### 3. Trucking and Warehousing and Related Services

#### (i) Trucking and Related Services

The Group's trucking and related services can be divided into two categories: (i) supporting service for its freight forwarding business; and (ii) service which does not involve sea freight or air freight.

Majority of the transportation revenue was from the supporting services for the Group's freight forwarding business including income from haulage and trucking services. Such revenue has been taken into account as part of the revenue generated from the air/sea freight forwarding services provided by the Group.

During the Financial Year, the revenue from the trucking and related services accounted for approximately RM1.3 million (2022: RM1.8 million). Revenue from such services mainly consists of delivery fee for trucking services for both Hong Kong and Malaysia. Such revenue is mainly driven by the volume of goods delivered, and the numbers of trips and types of customers served, among other factors.

#### (ii) Warehousing and Related Services

The Group's warehousing business mainly serves a supporting role for its freight forwarding services. The Group's warehousing services provided in Port Klang mainly consisted of general warehousing services. The warehousing services provided in Kuala Lumpur and Penang airports mainly served as temporary storages of goods for the Group's international air freight business. Therefore, revenue from the Group's warehouse business only accounted for an insignificant portion of less than 1% (2022: less than 1%) of the Group's total revenue for the Financial Year.



## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Manufacturing and Sale of Plastic Products

Revenue from manufacturing and sale of plastic products mainly consists of (i) manufacturing plastic products and accessories for industrial and civil equipment, (ii) producing molds related to plastic products, and (iii) sale of plastic products and accessories.

During the Financial Year, the Group recorded a revenue from the manufacturing and sale of plastic products approximately RM22.1 million (2022: RM25.7 million).

### Trading of Used Mobile Phones Business

During the Financial Year, the Group recorded a revenue from the trading of used mobile phones of approximately RM67.8 million (2022: RM51.5 million), representing approximately 58.2% of our total revenue. The segment loss before taxation was approximately RM5.8 million (2022: RM3.7 million). The Board is of the view that the trading of used mobile phones will diversify the income stream of the Company and broaden its revenue base on logistic services.

### Logistics Business in Hong Kong

During the Financial Year, the Group recorded a revenue from the logistic services in Hong Kong of approximately RM0.06 million (2022: RM1.6 million), representing approximately 0.1% (2022: 1.2%) of our total revenue. Revenue from logistic services in Hong Kong decreased by 96.0% as the Company realize that trading of used mobile phones can generate both revenue from trading and logistics business which has broaden the revenue base. The Board considers that the Group's logistics business in Hong Kong will financially benefit the Company so as to make positive impacts on the internal growth of the Company's business and operations in the forthcoming years.

### Joint Venture Collaboration with Shuifa Huaxia

On 25 January 2022, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with Shuifa Huaxia Group Co., Ltd. (水發華夏集團有限公司) ("Shuifa Huaxia") in relation to the collaboration for the establishment of a joint venture company (the "JV Company") for the development of projects (the "JV Collaboration"). The parties confirmed that following the signing of the MOU, the preparation for the establishment of the JV Company may proceed until formal registration of the JV Company. A formal joint venture agreement (the "JV Agreement") will be entered into based on the terms of the MOU and the actual development of projects. The parties aim to leverage and evolve around their respective core competencies to set up the JV Company to develop projects. Pursuant to the MOU, the Company will be responsible for introducing investors for project financing, custodian services for project investment funds and provision of financial advice in relation to project financing, and Shuifa Huaxia will leverage its competitive advantage as a state-owned enterprise to bring in and promote projects.





## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

While the Company and Shuifa Huaxia are preparing to set up a joint venture company, Shuifa Group Co., Ltd. (水發集團有限公司) (“**Shuifa Group**”), the parent company of Shuifa Huaxia has presented a solar power plant project to the Company for consideration and evaluation pursuant to the collaboration contemplated under the MOU. Details of the transaction were disclosed in the Company’s announcements dated 25 January 2022, 10 February 2022 and 13 February 2023.

Up to the date of these financial statements, no definitive agreements had been entered into in respect of the joint venture collaboration under the MOU.

### Joint Venture establishment with Suiyong Int'l

The Company is in advanced discussions to establish a joint venture (the “**Joint Venture**”) with Suiyong Int'l Co., Limited (穗甬國際有限公司) (“**Suiyong Int'l**”), a company incorporated in Hong Kong with limited liability. It is intended that the Joint Venture will be established by the Company and Suiyong Int'l with a shareholding ratio of 51:49, respectively, and that the Joint Venture will become the general partner of a limited partnership fund (“**LPF**”) to be set up in accordance with the Limited Partnership Fund Ordinance (Chapter 637 of the Laws of Hong Kong). The parties intend that the LPF will mainly be engaged in the investment in the field of green energy and environmental protection, including asset-backed securities of green energy projects, such as projects developed pursuant to the Company’s collaboration with Shuifa Huaxia. Details of the transaction were disclosed in the Company’s announcements dated 13 April 2022.

Up to the date of approval of these financial statements, the proposed establishment of the Joint Venture is still under process and subject to all the necessary regulatory approvals being obtained. Therefore the Joint Venture may or may not be established.

### Strategic Cooperation Agreement with Zhongwei Supply

On 5 January 2023, the Company entered into a strategic cooperation agreement with Zhongwei Supply Chain Co. Limited (中為供應鏈有限公司) (“**Zhongwei Supply Chain**”) in respect of cooperating in the supply chain business which includes but not limited to broad supply chain business, depth supply chain business and supply chain finance business (“**Supply Chain Businesses**”). With strength in logistics services, extensive logistics network, standardized management and service system, global customers confide in the Company. The Board believes that the strategic cooperation with Zhongwei Supply Chain will propel the Company in the supply chain industry. Details of the transaction were disclosed in the Company’s announcements dated 5 January 2023.

Up to the date of approval of these financial statements, the Company and Zhongwei Supply Chain are yet to enter into any definitive agreement.

### Change in Use of Proceeds from Rights Issue

Reference is made to the Company’s announcement dated 5 January 2023, the Board considers that since the completion of the Rights Issue, events had occurred in Hong Kong that the Board could not have anticipated at the time of the Rights Issue, the Company has been exploring investment and business cooperation opportunities to create value for the Company and its shareholders in a long term and sustainable manner and has entered into memorandum of understanding with various business parties. In view of the foregoing and upon review of the Group’s operation needs, business segments and their future prospects, the Board considers that it would be in the interests of the Company and its shareholders as a whole to change of the use of proceeds by reallocating of approximately HK\$26.1 million, which was originally allocated for working capital for the expansion of logistics services business in Hong Kong towards general working capital and investment purpose.



## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Future Prospects and Outlook

The Group aims to strengthen its position as an integrated logistics solutions service provider in both Hong Kong and Malaysia. The Directors believe that an optimistic outlook on the resilience of the industry and the robustness of its own business. The market has endured its trough, and the Group has largely overcome the major challenges it previously encountered, gradually setting itself on the right track and is prepared to forge ahead. In the upcoming year, the Group will remain committed to the strategic objectives that it set previously, focusing on sustainable development, and operational excellence, while continuously optimizing corporate assets and financial health. In terms of market positioning, we aim to strengthen our competitive position and seize emerging market opportunities through focusing on our advantages, and believe that the Group will emerge stronger from the current challenges and deliver long-term value to our shareholders.

Besides, the Group has expanded the logistics business in Hong Kong which has the advantages over China and target to explore the business opportunities with China and international clients. The Board is of the view that the logistics business will broaden its revenue base. It is expected that it may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

The board is of view that the manufacturing and trading of plastic products and trading of used mobile phones provides an opportunity to further diversify the Group's business and will expand and create synergy effect with the Group's existing business.

### Financial Review

#### Integrated Logistics Services Business

##### Revenue

The Group's total revenue from the integrated logistic service amounted to approximately RM26.4 million and RM57.4 million for the year ended 31 December 2023 and 2022. For the Financial Year, approximately 7.3% and 14.3% of the Group's revenue was attributable to air freight and sea freight services respectively. For the year ended 31 December 2022, approximately 20.5% and 20.7% of the Group's turnover was attributable to air freight and sea freight services respectively.

Revenue from the integrated logistics services for the Financial Year decreased by approximately 53.9% or approximately RM30.9 million as compared to that of the previous year. The decrease was mainly contributed from air freight services which reduced by 69.4% as compared with the last year since there was significant decline in container movements after the turbulence of Covid in 2020–2022, returning to pre-pandemic levels. Many company were badly affected with tight cash flow situation.

##### Cost of Sales

Major components of the cost of sales were freight charges of cargo spaces. The Group obtains cargo space from international airlines and shipping liners, their agents/overseas freight forwarders at the rate depending on freight destination and volume/weight, among other factors. The Group charges its customers based on the cost quoted by the suppliers plus a reasonable profit margin.

In line with the decrease in revenue, the cost of sales for the Financial Year decreased by approximately 52.3% or RM26.7 million as compared to that of the previous year.





## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **Gross Profit and Gross Profit Margin**

The gross profit decreased by approximately 67.6% from RM6.3 million for the year ended 31 December 2022 to RM2.1 million for the Financial Year. It was mainly due to the revenue generated from logistic services for the year ended 31 December 2023 is RM26.4 million compared to RM57.4 million for the year ended 31 December 2022. With the combined effects of revenue and cost of sales, the Group's gross profit margin of integrated logistics services decreased to 7.8% for the year ended 31 December 2023 from 11.1% for the year ended 31 December 2022.

### **Manufacturing and Sale of Plastic Products**

#### **Revenue**

The Group's total revenue from manufacturing and sale of plastic products amounted to approximately RM22.1 million for the year ended 31 December 2023 (2022: RM25.7 million).

#### **Cost of Sales**

For the manufacturing and sale of plastic products, the cost of sales amounted to approximately RM20.1 million for the year ended 31 December 2023 (2022: RM22.2 million).

#### **Gross Profit and Gross Profit Margin**

The gross profit of the manufacturing and sale of plastic products amounted to approximately RM2.0 million (2022: RM3.5 million) and the gross profit margin is approximately 9.2% (2022: 13.8%) for the year ended 31 December 2023.

### **Trading of Used Mobile Phones Business**

#### **Revenue**

The Group's total revenue from the trading of used mobile phones amounted to approximately RM67.8 million for the year ended 31 December 2023 (2022: RM51.5 million).

#### **Cost of Sales**

For the trading of used mobile phones the cost of sales amounted to approximately RM64.3 million for the year ended 31 December 2023 (2022: RM48.1 million).

#### **Gross Profit and Gross Profit Margin**

The gross profit of the trading of used mobile phones amounted to approximately RM3.5 million (2022: RM3.4 million) and the gross profit margin is approximately 5.2% (2022: 6.6%) for the year ended 31 December 2023.



## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Administrative Expenses

The administrative expenses were RM14.5 million and RM14.1 million for the Financial Year and the year ended 31 December 2022. The administrative expenses mainly consist of staff cost, expense on short-term leases and depreciation of property, plant and equipment.

### Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings and lease liabilities. During the Financial Year, the Group's financial cost amounted to approximately RM0.5 million (2022: RM0.8 million).

### Income Tax Expense

During the Financial Year, the Group recorded income tax of approximately RM0.01 million (2022: tax credit RM0.4 million).

Hong Kong profit tax is calculated on the basis at 8.25% (2022: 8.25%) of the estimated assessable profits up to HK\$2 million and 16.5% on any part of the estimated assessable profit over HK\$2 million for the period (2022: same).

### Loss for the Year and Loss per Share

The Group recorded a loss of approximately RM20.4 million for the Financial Year (2022: RM12.6 million). The Group's loss per share for the Financial Year was RM3.22 sen (2022: restated RM1.98 sen).

### Liquidity, Financial Resources and Capital Structure

As at 31 December 2023,

- (a) the Group's net current assets was approximately RM26.9 million (2022: RM36.9 million) and the Group had cash and bank balance of approximately RM21.7 million (2022: RM27.6 million);
- (b) the Group had bank borrowings and overdrafts and lease liabilities of approximately RM4.8 million (2022: RM4.2 million) and RM2.4 million (2022: RM3.6 million), respectively;
- (c) the Group's current ratio was approximately 2.3 times (2022: 2.4 times). The gearing ratio is calculated by dividing total debt by total equity at the end of the respective years. The Group's gearing ratio was approximately 19.8% (2022: 14.5%); and
- (d) the Group's total equity attributable to owners of the Company amounted to RM36.3 million (2022: RM53.1 million). The equity of the Company mainly comprises share capital and reserves.

### Dividends

The Board does not recommend the payment of a final dividend for the Financial Year (2022: nil).

### Significant Investments Held by the Group

During the Financial Year, there was no significant investment held by the Group.

### Material Acquisitions and Disposals of Subsidiaries and Associates

During the Financial Year, there was no material acquisitions and disposals of subsidiaries and associates.





## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Commitments

As at 31 December 2023, the Group did not have any significant capital commitments for purchase of property, plant and equipment.

### Pledge of Assets

As at 31 December 2023, the Group's freehold land, buildings and plant and machinery with carrying amount before impairment of RM910,000 (2022: RM910,000), RM490,000 (2022: RM514,000) and RM2,763,000 (2022: RM1,523,000) respectively, were pledged to secure the bank borrowings granted to the Group by licensed banks.

### Contingent Liabilities

As at 31 December 2023, bank guarantees of RM383,000 (2022: RM379,000) of the Group were issued to suppliers for operational requirements.

### Principal Risks and Uncertainties

The Directors are aware that the Group is exposed to various types of risks, including operational risks, market risks, liquidity risks, credit risks and regulatory risks. The Directors have established a set of risk management policies and measures to identify, evaluate and manage risks arising from its operations.

The following are the primary risks that may materially and adversely affect the Group's business, financial condition and results of operation and its risk management measures.

Key risks related to the Group's businesses and to the industries in which the Group operates include:

#### 1. Risk of failing to renew its licenses

The logistics services in Malaysia are regulated by specific legislations regulating freight forwarding or customs clearance, warehousing, and transportation. To undertake such business, various registrations, approvals and licenses are required to be obtained from regulatory authorities in Malaysia. In providing integrated logistics services in Malaysia, the Group has obtained various permissions, certificates, licenses and approvals, including customs agent license, approval to carry out commercial activity in a free commercial zone, operator's license for group vehicles, business and advertisement license and pioneer status certificate. The Group may face difficulty in providing its integrated logistics services if it fails to renew or obtain its licenses and permissions.

The Group has subcontracted its customs clearance and part of its transportation business to subcontractors. Should the Group fail to renew relevant licenses, it can subcontract relevant services to these existing subcontractors.

#### 2. Risk of cargo hijacking, theft and damages

Risks of cargo hijacking and theft incidents are inherent to the nature of the Group's integrated logistics services business. Future terrorist or extremist attacks, or the threat of such attacks, and cargo hijacking may increase the costs of the Group's operations and reduce demand for the Group's services.

The Group has adopted risk management measures such as Global Positioning System (a space-based global navigation satellite system that provides location and time information anywhere on earth), and paid security escort services. The Group also maintains insurance policies against loss and damage to its customers' cargo. There is a limitation of liability for loss and damage of cargo during transportation set by relevant freight associations.



## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Risk of being fined for illicit goods transported by its customers

Overseas freight forwarders may pass referral businesses or subcontract local sub-parts of their shipments to the Group whereby the Group has no control over, and no comprehension of the customers' nature or the goods they carry other than as declared in relevant declaration forms.

The Group has performed background checks on new customers and will file a police report for any unclaimed and/or suspicious cargo. In order to discharge its liability, the Group will ensure that the security seal of the cargo remained intact to maintain the integrity of the cargo during the course of transportation.

### 4. Risk of increase in freight and transportation cost

The Group incurs significant costs in procuring cargo space from airlines and ocean carriers, as well as providing or arranging for land transportation services overseas. Freight costs are significantly affected by a variety of factors, including fuel prices, exchange rate, the imposition of, or increases in, import or export taxes, the supply of cargo space, market conditions and other factors, many of which are beyond the Group's control.

The Group prices its services on a cost-plus basis, by reference to the types of services provided, costs of cargo spaces, fees of third party service providers etc.. It is expected that this risk is mitigated by passing on the cost to the customers whenever possible.

### 5. Risk of over dependent on the information technology

The Group's integrated logistics services is highly dependent on information technology and currently uses three systems and one software to manage its customs declaration, operation, payroll and accounting, respectively. Our information systems allow customers to log in to track and trace their cargo, and monitor the level of inventory they have placed for storage at the Group's warehouses. The hardware or software failure relating to IT systems could significantly disrupt customer workflows and cause economic losses for which the Group could be held liable and which could damage its reputation.

The Group has in place a disaster recovery plan covering the critical application analysis, recovery timing and damage assessment and server for external backup.

### 6. Risk of handling goods contain dangerous or chemical substances

Type of substances classified as dangerous goods include explosives, flammable liquids and gases, corrosives, chemically reactive or acutely toxic substances. Products such as handphone, notebooks with batteries, ink are also considered by the industry as dangerous goods. It is required by the industry that only companies with at least 2 licences holders who have attended the dangerous goods regulation course and passed the examination can handle goods contain dangerous or chemical substances for export.

The Group has more than 2 licences holders, therefore, it is eligible to handle the dangerous goods. The Group has standard procedures for its employees to follow in handling of dangerous goods. Further, the Group will only transport dangerous goods if the Group obtained confirmation from airlines/shipping liners that such goods are acceptable to them.





## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Foreign Currency Risk

The Group derives a significant portion of its revenue in USD from international operations. While the Group's local customers and local suppliers settle with the Group in RM and EUR, quotes from suppliers are usually made in USD and EUR for shipping cargo space. Normally, the Group's receipt in USD and EUR are more than its payment in USD and EUR. In other words, the Group is accumulating USD and EUR. The management will monitor foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

As at 31 December 2023 and 2022, the Group did not enter into any foreign currency forward contracts. However, the management will monitor the foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

### Employees and Remuneration Policy

As at 31 December 2023, the Group has a total of 380 (2022: 435) full-time employees. The total employee remuneration including remuneration of the Directors for the Financial Year amounted to RM16.6 million (2022: RM13.7 million).

The Group recognises that its success in the freight forwarding and logistics industry is dependent on its employees. The Group recruits its employees based on their industry experience and interpersonal skills. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management. The Company regularly provides discretionary bonuses to its senior management and key employees as incentive.

### Use of Proceeds for Share Placings

#### Rights Issue

On 9 November 2021, the Company approved and implemented the rights issue on the basis of three Rights Shares for every one existing Share at the Subscription Price of HK\$0.11 per Rights Share (the "**Rights Issue**"), to raise up to approximately HK\$51.9 million (net of expenses) by issuing up to 475,200,000 Rights Shares to the Qualifying Shareholders. The planned use of proceeds was solely for working capital for the expansion of logistics services in Hong Kong.



## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 5 January 2023, the Board considers that it would be in the interests of the Company and its shareholders as a whole to change of the use of proceeds by reallocating approximately HK\$26.1 million which was originally allocated for the expansion of logistics services business in Hong Kong towards HK\$19.1 million as working capital and HK\$7.0 million as investment purpose.

	Planned used of net proceeds as stated in the circular HK\$'000	Changed use of net proceeds as stated in the announcement dated 5 January 2023 HK\$'000	Actual use of proceeds during the year ended 31 December 2023 HK\$'000	Remaining balance after revised use of proceeds HK\$'000	Expected timeline of fully utilization of the balance
Working capital for the expansion of logistics service in Hong Kong	51,942.0	25,875.2	25,875.2	–	
Working Capital	–	19,066.8	17,099.8	1,967.0	June 2024
Investment purpose	–	7,000.0	–	7,000.0	December 2024
	51,942.0	51,942.0	42,975.0	8,967.0	

The analysis of the actual use of net proceeds as at 31 December 2023 are set out below:

	Equivalent RM'000	HK\$'000
1. Postage & courier charges	2,836.1	4,822.3
2. Administrative expenses	2,159.0	3,671.2
3. Salary	7,630.8	12,975.4
4. Professional fee	2,767.3	4,705.5
5. Logistics services	8,850.0	15,000.0
6. Repair and maintenance	1,058.9	1,800.6
Total	25,302.1	42,975.0

The unused balance with the amount of approximately HK\$8,967,000 is placed with reputable banks as the Group's bank deposits.

During the Financial Year, the Company planned to utilize the use of proceeds from the Rights Issue before the end of 2023, however, the unsteady global economy have a considerable impact on the expansion of investment of the Company and the management expected that the use of proceeds will be fully utilized in the year of 2024.





## CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Appreciation

I would like to express my greatest gratitude to the Board, management and staff for their strenuous contribution towards the Group. Furthermore, I would also like to take this opportunity to sincerely thank our business partners and Shareholders for their continuous support and trust. I believe all members of the Group will dedicate their best efforts to drive business growth and to deliver enhanced returns to Shareholders.

**Lai Kwok Hei**

*Chairman*

Hong Kong, 27 March 2024



# DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

**Mr. Lai Kwok Hei** (“**Mr. Lai**”), aged 39, was appointed as an executive Director on 21 May 2019. He is primarily responsible for overall strategic planning and management of the Group. Mr. Lai holds a bachelor degree of business administration in Accountancy from The Open University of Hong Kong. He has more than 10 years of experience in financial, accounting and financial management. Prior to joining the Company, Mr. Lai has been the general manager of a subsidiary of a listed company in Hong Kong. Mr. Lai was appointed as the Chairman, member of nomination committee on 24 August 2019.

**Mr. Chan Kin Ho, Philip** (“**Mr. Chan**”), aged 47, was appointed as an executive Director on 10 September 2021. Mr. Chan is also appointed as the Chief Executive Officer and the Compliance Officer of the Company. Mr. Chan was graduated from the University of Hong Kong with a bachelor’s degree in business administration in accounting and finance. Mr. Chan is a certified public accountant under the Hong Kong Institute of Certified Public Accountants and a member of The Association of Chartered Certified Accountants. Mr. Chan is also a chartered financial analyst. Mr. Chan has over 20 years of experience in finance, accounting, external and internal auditing in both Hong Kong and the People’s Republic of China. Mr. Chan had worked in the assurance and advisory department of Deloitte Touche Tohmatsu Limited and KPMG and as a business area controller in the financial controlling division of Deutsche Bank AG. Mr. Chan was the group financial controller of Xinhua Sports & Entertainment (HK) Limited, a wholly-owned subsidiary of Xinhua Sports & Entertainment Limited (PINK: XSELY) and was the vice president – finance for Tiger Media, Incorporation (formerly known as SearchMedia Holdings Limited), a company formerly listed on American Stock Exchange. He also worked as company secretary of China Digital Culture (Group) Limited and an independent non-executive director of China Machinery Engineering Corporation. Mr. Chan is currently an executive director of Willing International Capital Limited since 2012.

## Independent Non-Executive Directors

**Mr. Wong Siu Keung, Joe** (“**Mr. Wong**”), aged 59, was appointed as an independent non-executive Director on 17 June 2016. He was the chairperson of the Audit Committee as well as a member of each of the Remuneration Committee and the Nomination Committee.

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

He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since 1994. Mr. Wong has over 30 years of experience in accounting, financing, audit field and public listed companies.

Mr. Wong is currently an executive director of Detai New Energy Group Limited (stock code: 559). He is an independent non-executive director of Hang Tai Yue Group Holdings Limited whose shares are listed on GEM of the Stock Exchange (stock code: 8081). Mr. Wong is also as an independent non-executive director of both China Water Industry Group Limited (stock code: 1129) and Affluent Partners Holdings Limited (stock code: 1466), whose shares are listed on the main board of the Stock Exchange. Mr. Wong was resigned on 16 June 2023.





## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Ms. Wong Hoi Yan Audrey (“Ms. Wong”)**, aged 53, was appointed as Independent Non-Executive Director on 21 May 2019. She was also appointed as the Chairman of Remuneration Committee of the Company with effect from 21 May 2019 and the Chairman of the Audit Committee of the Company with effect from 16 June 2023.

Ms. Wong, has over 20 years of experience in accounting, financial control, banking, corporate finance and asset management. She served a number of Hong Kong listed companies in the areas of manufacturing, trading and properties development; banking and financial institutions. Ms. Wong holds a Master Degree in Corporate Finance from Hong Kong Polytechnic University. In addition, she is a fellow member of the Hong Kong Institute of Certified Public Accountant and a Certified Public Accountant in the Washington State of the USA.

**Mr. Ma Kin Hung (“Mr. Ma”)**, aged 78, was appointed as an Independent Non-Executive Director, Chairman of Nomination Committee and the members of the Remuneration Committee and Audit Committee on 31 July 2019.

Mr. Ma has over 25 years of experience in corporate management, production management, marketing management in mainland China and investment in property in China. He has served as the Liaison Officer of the China Production Department of Hong Kong New Mark Limited, the Regional Sales Manager (China) of the German Professional Light Bulb Company, the Deputy general manager of Yutai Education Equipment Co., and the business representative in China of Indonesian GM Company.

**Ms. Cheung Choi Hung (“Ms. Cheung”)**, aged 36, was appointed as an Independent Non-Executive Director on 16 June 2023. She is the members of the Audit Committee, Remuneration Committee and Nomination Committee.

She holds a higher diploma of public relations and advertising from School of Continuing Professional Studies of Chinese University of Hong Kong. She has more than 10 years of experience in public relations, strategic marketing analysis and operations. Ms. Cheung has served as customer investment analyst of Cornerstone Financial Holdings Limited, a listed company in Hong Kong.

### Senior Management

**Ms. Lee Li Ngut (“Ms. Lee”)**, aged 49, was re-designated as the senior vice president of finance for the Group on 1 March 2016. She is responsible for managing the Group’s finance and accounts.

Ms. Lee has over 18 years of experience in accounting. From 1999 to 2000, Ms. Lee worked at Damai Laut Golf Resort as an accounts and administration officer. She joined the Group on 19 September 2000 as an account executive and became a group finance manager on 1 October 2013.

Ms. Lee received a Bachelor of Science in Accounting and Finance from the University of London as an external student in August 1999. She has also completed the bills of lading – liability & claim course organised by Maritime Disputes & Training Consultancy Services in July 2004, budgeting & forecasting course organised by RCJ Consulting Sdn. Bhd. in August 2005, customer service skills for logistics professionals organised by Ldeapro Logix Sdn. Bhd. in October 2009, understanding ISO9001:2000 quality management system organised by Cambridge Management Sdn. Bhd. in August 2008, and warehousing safety and transport safety organised by I-World Technology Sdn. Bhd. in January 2015.



## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Mr. Lee Cwen Wei (“Mr. Lee”)**, age 32, was appointed as the Director of the subsidiaries in Malaysia on 2 January 2020, subsequently appointed as a Director of Sales on 2 January 2021. His primary responsibilities are to enhance sales for both local and international market, ensure customer satisfaction, and to improve or maintain a good service level to the clientele. His secondary responsibilities are to oversee the Pricing division to maintain a competitive advantage in terms of pricing, and to administer the Penang, Melaka branch, and the Customer Service Department. Mr. Lee holds a Master’s Degree in Electrical and Electronics Engineering, and a certification under Certified International Logistics Manager (CILM). He is also an executive agent of the Malaysian Customs, and has completed multiple certifications, such as “Halal Awareness Training on MS1500-2019 Halal Food General Guidelines and MS2400-2019 Halal Logistics Standard”, “ISO9001:2015 Refresher Program”, and “Understanding the Requirements for Goods Distribution Practices for Medical Devices (GDPMD)”. He has over 8 years of experience in various business units and sectors of the logistics industry. Capitalizing on his strong critical thinking, troubleshooting, and management skills, Mr. Lee is instrumental in the full business development process of Worldgate Express Services Sdn Bhd.

**Mr. Nguyen Hong Phong (“Mr. Nguyen”)**, aged 34, is the general manager of the factory in the subsidiary of the Company since 10 January 2023. Mr. Nguyen was appointed as the quality control manager on 22 October 2019. Mr. Nguyen is responsible for the general management and supervision of the production operation.

Mr. Nguyen holds a bachelor degree of information technology in University of Dalat. He has over 10 years of experience in factory manufacturing.

**Mr. Shum Shing Kei (“Mr. Shum”)**, aged 52, has over 10 years of experience in finance, accounting and company secretarial matters. Mr. Shum holds a Bachelor Degree (Hon) in Accountancy from Hong Kong Polytechnics and a Master Degree in Financial Management from University of London, United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Shum has been the Company Secretary from 21 May 2019.





# CORPORATE GOVERNANCE REPORT

## Corporate Governance Practices

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has complied with the provision set out in Appendix 15 of the code provision of the Corporate Governance Code (the "CG Code") of the Rules Governing the Listing Securities on the GEM (the "GEM Listing Rules"). Throughout the Financial Year, the Company has complied with all applicable code provisions as set out in the CG Code.

## Securities Transactions by Directors

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Financial Year.

## Board of Directors

### Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives and to maximize the interest of the Company and its shareholders.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The functions performed by the Board include but are not limited to the following matters:

- formulating the Group's strategy and direction and monitoring the implementation thereof;
- deciding all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- approving of the Group's financial statements, published reports, price sensitive announcement and other disclosure required under the GEM Listing Rules;



## CORPORATE GOVERNANCE REPORT (CONTINUED)

- developing, monitoring and reviewing the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Board appointment and other major appointments or removal; and
- monitoring the performance of the management.

The Directors have full and timely access to information and accounts of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

### Composition

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (the "NEDs") (including independent non-executive Directors (the "INED(s)")) so that there is an independent element on the Board, which can effectively exercise independent judgement, and that non-executive Directors should be of sufficient caliber and number for their views to carry weight.

As at the date of this report, the Board comprises the following five Directors:

#### Executive Directors

Mr. Lai Kwok Hei, *Chairman*  
Mr. Chan Kin Ho, Philip

#### Independent Non-executive Directors

Ms. Wong Hoi Yan Audrey  
Mr. Ma Kin Hung  
Ms. Cheung Choi Hung

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of this report.

There was no financial, business, family or other material/relevant relationship among the Directors.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three INEDs representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

All INEDs are appointed for a term of one year. Each of such appointments is subject to the rotation and retirement provision in the Articles of Association of the Company.

The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will make various contributions to the Company.

The Company has received from each INED an annual confirmation of his/her independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.





## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Continuing Professional Development

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statutes and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities.

All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, all Directors, namely Mr. Lai Kwok Hei, Mr. Chan Kin Ho Philip, Ms. Wong Hoi Yan Audrey, Mr. Ma Kin Hung and Ms. Cheung Choi Hung had participated in continuous professional development by attending seminars/training and program/reading materials.

### Meetings of Board and Directors' Attendance Records

During the Financial Year, the Board held seven meetings, at which the Directors discussed and approved, amongst other matters, (i) the Group's consolidated results for the year ended 31 December 2022, the three months ended 31 March 2023, the six months ended 30 June 2023 and the nine months ended 30 September 2023; (ii) the risk management and internal control systems of the Group (the "**Risk Management and Internal Control Systems**"); (iii) the Environmental, Social and Governance Report (the "**ESG Report**"); (iv) cooperation business opportunities; and (v) adoptions of dividend policy and nomination policy; and (vi) the overall strategic direction and plan of business.

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board Meeting and three days or such other period as agreed before each other Board meeting.

All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the GEM Listing Rules, any Directors and their associates (as defined in the GEM Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

The attendance of each Director at the Board Meeting during the Financial Year is as follows:

Name of Directors	Board meeting attended/ Eligible to attend
<b>Executive Directors</b>	
Mr. Lai Kwok Hei ( <i>Chairman</i> )	7/7
Mr. Chan Kin Ho, Philip	6/7
<b>Independent Non-executive Directors</b>	
Mr. Ma Kin Hung	7/7
Ms. Wong Hoi Yan Audrey	5/7
Mr. Wong Siu Keung Joe	3/5
Ms. Cheung Choi Hung	2/2

### Board Diversity Policy

The Board has adopted a policy of the Board diversity (the “**Board Diversity Policy**”) and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

An appropriate balance of diversity was maintained on the Board, which comprised members of both gender. All appointments of Directors will take into account the measurable objectives with regard to the benefits of diversity on the Board to develop a pipeline of potential successors to the Board to maintain gender diversity. For the year ended 31 December 2023, the Board was comprised of approximately 60% male and approximately 40% female.

### Chairman and Chief Executive

According to the Code Provision A.2.1 of the CG Code, the roles of the Chairman and the CEO should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Lai Kwok Hei, the executive Director, is the Chairman and is responsible for the leadership of the Board. During the Financial Year, Mr. Chan Kin Ho Philip, the executive Director, is the CEO and is responsible for managing the Group’s business and overall operations.

### Board Committees

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company’s affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for Board Committees are posted on the respective websites of the GEM and the Company.





## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Audit Committee

The Company established the Audit Committee on 17 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. The Audit Committee comprises all INED, namely Ms. Wong Hoi Yan Audrey (“**Ms. Wong**”), Mr. Ma Kin Hung (“**Mr. Ma**”) and Ms. Cheung Choi Hung (“**Ms. Cheung**”). Ms. Wong is the chairman of the Audit Committee.

Under the Revised CG Code, the cooling off period of appointing a former partner of the Company’s auditor to be an independent non-executive director is extended from one year to two years. The Company made corresponding amendment to its terms of reference of Audit Committee which was considered and approved by the Board.

The principal functions of the Audit Committee include, but not limited to:

#### *Relationship with the Company’s auditor*

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- developing and implementing policy on engaging an external auditor to supply non-audit services (For this purpose, “external auditor” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed.

#### *Review of the Company’s financial information*

- reviewing and monitoring the integrity of the Company’s financial statements and annual reports and accounts, half-yearly reports and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.
- regarding the above paragraph:
  - (i) liaising with the Board and senior management and meeting, at least twice a year, with the Company’s auditor; and
  - (ii) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts, giving due consideration to any matters that have been raised by the Company’s staff responsible for the accounting and financial reporting function, compliance officer or auditor.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Oversight of the Company's financial reporting system and internal control procedures

- reviewing the Company's financial controls, internal control and risk management systems;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reporting to the Board on the matters in the terms of reference of Audit Committee;
- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- acting as the key representative body for overseeing the Company's relations with the external auditor; and
- considering other topics, as defined by the Board.

During the Financial Year, the Audit Committee held five meetings, at which the Audit Committee reviewed and discussed (i) the Group's consolidated results for the year ended 31 December 2022, the three months ended 31 March 2023, the six months ended 30 June 2023 and the nine months ended 30 September 2023; and (ii) Risk Management and Internal Control system.

The attendance of each member at the Audit Committee Meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Ms. Wong Hoi Yan Audrey ( <i>Chairman</i> )	4/5
Mr. Wong Siu Keung Joe	2/3
Mr. Ma Kin Hung	5/5
Ms. Cheung Choi Hung	2/2





## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Audit Committee has reviewed the Company's audited consolidated financial results for the Financial Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and the Group's internal audit function and recommended to the Board for consideration the same and the re-appointment of Elite Partners CPA Limited (the "Elite") as the Company's external independent auditors at the forthcoming AGM.

### Remuneration Committee

The Company established the Remuneration Committee on 17 June 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The Remuneration Committee comprises all INED, namely, Mr. Ma Kin Hung, Ms. Wong Hoi Yan Audrey and Ms. Cheung Choi Hung. Ms. Wong Hoi Yan Audrey is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee include, but not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the specific remuneration packages of Executive Directors and senior management including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment substantially based in individual's performance;
- making recommendations to the Board on the remuneration of Non-Executive Directors;
- considering salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the group. The Remuneration Committee shall also ensure that the levels of remuneration should be sufficient to attract and retain directors needed to run the Company successfully but without paying more than is necessary;
- reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is determined in accordance with contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are determined in accordance with contractual terms and are otherwise reasonable and appropriate;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- advising shareholders of the Company on how to vote in respect of any service contracts of directors that require shareholders' approval in accordance with the Listing Rules;
- determining the criteria for assessing employee performance, which should reflect the Company's business objective and targets;
- doing any such things to enable the Remuneration Committee to discharge its powers and functions conferred on it by the Board;
- conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation; and
- reviewing and/or approve matters relating to share schemes under Chapter 23 of the Listing Rules (as amended from time to time).



## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Financial Year, the Remuneration Committee held two meetings, at which the Remuneration Committee reviewed and discussed the remuneration packages for the Directors, individual executive Directors and senior management and making recommendations to the Board.

The attendance of each member at the Remuneration Committee Meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Ms. Wong Hoi Yan Audrey, <i>Chairman</i>	2/2
Mr. Wong Siu Keung Joe	1/2
Mr. Ma Kin Hung	2/2
Ms. Cheung Choi Hung	0/0

### Nomination Committee

The Company established the Nomination Committee on 17 June 2016. The Nomination Committee comprises one executive Director and two INED, namely Mr. Lai Kwok Hei, Ms. Cheung Choi Hung and Mr. Ma Kin Hung. Mr. Ma Kin Hung is the chairman of the Nomination Committee.

The principal functions of the Nomination Committee include, but not limited to:

- reviewing the structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors;
- reviewing the Board Diversity Policy and Nomination Policy as appropriate; monitoring the implementation of the Board Diversity Policy and reviewing the measurable objectives set by the Board for implementing the Policy, and the progress of achieving the objectives; and making disclosure of its review results and reporting on the Board's composition under diversified perspectives in the Corporate Governance Report annually; and
- reviewing succession planning for Directors, in particular, the chairman of the Board and the chief executive of the Company as well as for the senior management of the Company, after taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

The Company has formulated the Nomination Policy which aims to lay down procedures for the appointment of new members of the Board to ensure balance of the Board in skill, experience and diversity in perspectives and satisfy the business requirement of the Company.





## CORPORATE GOVERNANCE REPORT (CONTINUED)

When selecting new directors or filling casual vacancies, the Nomination Committee will consider the candidate's professional qualification and skill, integrity and reputation, achievement and experience in the industry in which the Company operates, and his/her time commitment. The committee will nominate candidate and considers appropriate with reference to the benchmark of the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and lengths of service, etc..

According to the nomination procedures of the Nomination Policy, the Nomination Committee will convene a meeting and invite Board members to nominate candidates. Suitable candidates will then be submitted to the Board for consideration and approval. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The Company will send a circular to the shareholders which will contain information of the directors to be re-elected for shareholders' reference in relation to their voting as required by Rule 17.50(2) of the GEM Listing Rules.

Under the CG Code, where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out relevant content in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting.

During the Financial Year, the Nomination Committee held two meetings, at which the Nomination Committee reviewed and discussed (i) the structure, size and composition of the Board; (ii) the independence of the INEDs; (iii) the appointment of director; and (iv) the re-appointment of all the retiring Directors at the AGM and recommended to the Board their re-appointments.

The attendance of each member at the Nomination Committee Meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Ma Kin Hung, <i>Chairman</i>	2/2
Mr. Lai Kwok Hei	2/2
Mr. Wong Siu Keung Joe	1/2
Ms. Cheung Choi Hung	0/0

## Corporate Governance Functions

The Board recognises that corporate governance should be the collective responsibility of the Directors which include, but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Financial Year, the Board has reviewed the performed the above corporate governance functions.

### Auditors' Remuneration

For the Financial Year, the Elite was engaged as the Group's independent auditors. Apart from the provision of annual audit services, Elite also provided the non-audit services in relation to the taxation service.

The remuneration paid/payable to the auditors, for the Financial Year is set out below:

Category of services	Amounts HK\$'000
Audit services – Annual audit	680

### Accountability and Audit

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in annual and interim reports, and other financial disclosures required by the GEM Listing Rules. The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Company and the Group's results and cash flow for the Financial Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The Management also provides the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Elite has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the Financial Year.





## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Risk Management and Internal Control

The Board has overall responsible for the design, implementation, monitor and review of the Group's internal control system including the internal control and risk management for the Company to ensure their effectiveness and efficiency. The objective of internal control is to safeguard the Company's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business. The Board shall at least annually review its risk management and internal control system.

The objective of the risk management and internal control of the Group include:

- establishing and constantly improving the risks management and internal control system;
- ensuring the Group's risk management and internal control in compliance with the GEM Listing Rules requirements;
- implementing the top-down approach and bottom-up approach that covers every aspect of the business; and
- managing rather than eliminating the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

- segregating duties and functions of the respective operational departments of the Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

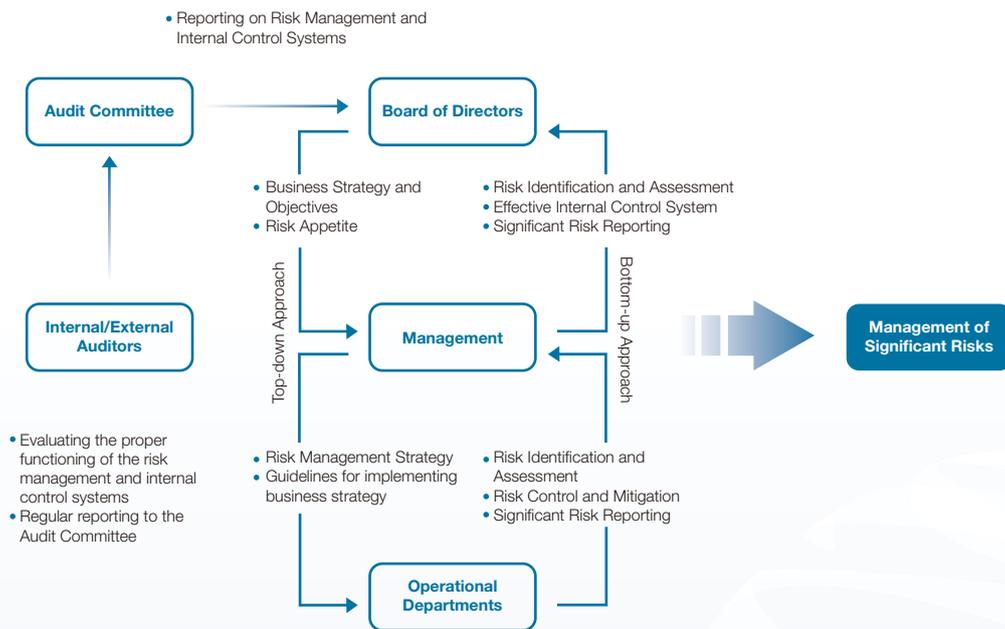
The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks, it is willing to take in achieving the business strategies of the Group. The key risks related to the Group's businesses and to the industries in which the Group operates were set out in the section headed "Principal risks and uncertainties" of Chairman statement and Management Discussion and Analysis.



**CORPORATE GOVERNANCE REPORT (CONTINUED)**

Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of staff handbook, internal control manual and compliance manual setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. This bottom-up approach is integrated into day-to-day operation and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management and internal control.



The Board has, through the Audit Committee and with the assistance of the management, internal auditors and external auditors, conducted a review of the effectiveness of the Group’s risk management and internal control system including financial, operational and compliance controls for the Financial Year. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group also engaged an independent internal control consultant to perform the review on internal control of the Group for the Financial Year, including financial, operational and compliance controls and risk management functions.

The Board has conducted a review of the effectiveness of the risk management, internal control system and internal audit function of the Group through discussion with the Audit Committee on major findings and control issue. The Board considers that the Group has implemented appropriate procedures safeguarding the Group’s assets and ensure its accounting records are properly maintained and in compliance of the relevant laws and regulations. In addition, the Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting and internal audit and financial reporting function.





## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or insider information or any use of such information for the advantage of himself/herself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

### Company Secretary

Mr. Shum Shing Kei (“**Mr. Shum**”) was appointed as the Company Secretary on 21 May 2019. Mr. Shum holds a Bachelor Degree (Hon) in Accountancy from Hong Kong Polytechnics and a Master Degree in Financial Management from University of London, United Kingdom. Mr. Shum is a fellow member of The Hong Kong Institute of Certified Public Accountants and has extensive working experience in financial management and company secretarial fields.

### Shareholders’ Rights

#### Procedures for Shareholders to convene an extraordinary general meeting (the “EGM”)

Pursuant to the Article 58 of the Articles, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must state clearly the name of the Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene the EGM and the proposed agenda.

#### Procedures for Shareholders to send enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Unit 5D, 5/F, Hang Cheong Factory Building, No. 1 Wing Ming Street, Kowloon, Hong Kong.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Communication with the Shareholders

The Board has the overall responsibility to ensure that the Company maintains on-going dialogue with Shareholders and in particular, use annual general meetings or other meeting to communicate with Shareholders and encourage their participation.

Information will be communicated to the Shareholders through convening the annual general meeting or general meeting, publication of annual, interim and quarterly reports, notices, announcement, circulars as well as all the disclosures submitted to the respective websites of GEM and the Company.

During the Financial Year, an annual general meeting of the Company was held on 9 June 2023 (the “2022 AGM”).

The Chairman of the Board and the executive directors attended the 2022 AGM, so as to answer questions raised by shareholders. The Company highly values the functions of the general meeting as it is considered to be a direct and effective communication channel between the Board and investors of the Company, and thus encourages all shareholders to attend the general meetings. The Articles have laid out provisions in respect of the rights of the shareholders including the rights to attend, to receive notices of, and to vote at general meetings.

The attendance of each Director at the 2022 AGM is as follows:

Name of Directors	Board meeting attended/ Eligible to attend
<b>Executive Directors</b>	
Mr. Lai Kwok Hei ( <i>Chairman</i> )	1/1
Mr. Chan Kin Ho, Philip	1/1
<b>Independent Non-executive Directors</b>	
Mr. Wong Siu Keung Joe	1/1
Ms. Wong Hoi Yan Audrey	1/1
Mr. Ma Kin Hung	1/1

The Board considers that general meetings of the Company provide an important channel for the shareholders to exchange views with the Board.





## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Dividend Policy

In accordance with the CG Code, the Company formulated the Dividend Policy to set out the principles for the Board to consider before making any dividend distribution. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, included but not limited to: (i) the general financial condition of the Group; (ii) working capital and debt level of the Group; (iii) future cash requirements and availability for business operations, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders; (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

After considering the plan and proposal of the management, the Board may, at its discretion, propose or decide to distribute interim dividends. Final dividends shall be proposed to the shareholders for approval.

### Constitutional Documents

During the Financial Year, the Company has made changes to its Articles to be in line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix A1 to the GEM Listing Rules which took effect on 1 January 2022. The adoption of the second amended and restated memorandum and articles of association of the Company had obtained shareholders' approval at the AGM held on 9 June 2023. An up-to-date version of the Company's Articles is also available on the Company's website and the Stock Exchange's website.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## About the Report

### Introduction

WORLDGATE GLOBAL LOGISTICS LTD (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**” or “**we**”) engaged in providing international freight forwarding and logistics services, with a primary focus on air/sea freight forwarding and related services, trucking, and warehousing to customers worldwide, manufacturing and trading of plastic products in Vietnam and trading of used mobile phones. This Environmental, Social and Governance Report (the “**Report**”, “**ESG Report**”) provides an overview of the initiatives, plans and performance of the Group in Environmental, Social and Governance (“**ESG**”) and demonstrates its commitment to sustainable development.

### Reporting Scope

The ESG Report covers the Group’s offices in Malaysia, Vietnam and Hong Kong, representing our major sources of revenue where our operations located.

### Reporting Period

This Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2023 (the “**Reporting Period**”, “**Year**”, “**2023**”).

### Reporting Framework

This Report is prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Guides of the GEM Listing Rules of the Hong Kong Stock Exchange Limited.

### Reporting Principles

During the preparation for this Report, the Group applied the reporting principles stipulated in the ESG Reporting Guide as follows:

Materiality	Identify major issues through materiality assessment during the Year and use the identified major issues as the focus of ESG Report preparation. The significance of the topic has been reviewed and confirmed by the Board and the Environmental, Social and Governance Working Group (the “ <b>Working Group</b> ”). Please see the “Stakeholder Engagement” and “Materiality Assessment” chapters for further details.
Quantification	This Report has added supplementary explanations to the disclosed data to explain the sources of standards, methods and conversion factors used in calculating emissions and energy consumption.
Balance	The Group describes and discloses the Group’s relevant data and content in an objective and fair manner and will not be biased due to any factors.
Consistency	The reporting scope and preparation method of this Report are basically consistent with the previous year, and the data with changes in the disclosure scope and calculation method are explained.

### Forward-looking Statements

This Report contains forward-looking statements based on the current expectations, estimates, projections, beliefs, and assumptions of the Group about the businesses and the markets in which it and its subsidiaries operate. The forward-looking statement is not a guarantee of future performance and is subject to market risk, uncertainties, and factors beyond the control of the Group. Therefore, actual outcomes and returns may differ materially from the assumptions and statements in this report.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

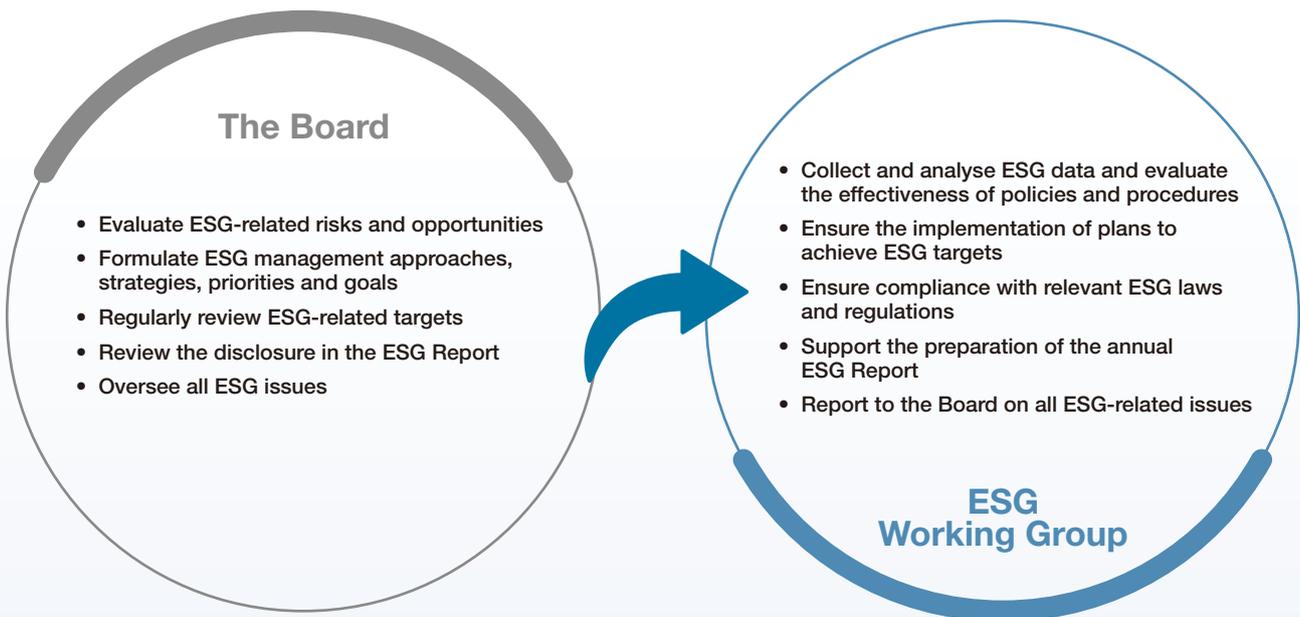
### Contact Us

The Group continues to strive to improve ESG information disclosure and welcomes stakeholders to provide valuable opinions and suggestions on this Report or its performance in sustainable development, for details, please visit us at <https://www.worldgate.com.hk/>.

### ESG Governance Structure

#### The Board Statement

The Board of Directors is responsible for overseeing the opportunities and risks of the Group's sustainable development and ensuring that ESG initiatives are consistent with its growth strategy. By building a core ESG governance structure, the Group actively practices the principles of sustainable development and integrates them into daily management and operations. To improve the Group's ESG performance management and identify potential risks, the Board of Directors, with the assistance of the ESG Working Group, regularly conducts materiality assessments and considers the opinions of stakeholders to evaluate and prioritize significant issues.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### ESG Working Group

The Board of Directors is responsible for assessing ESG related risks and opportunities; formulating ESG management policies, strategies, priorities and goals; regularly reviewing the progress and approving ESG Reports disclosure information and ultimately oversee all matters related to ESG of the Group.

The ESG Working Group consists of four members, including our Financial Controller, Human Resources Director, Human Resources Manager and Senior Compliance Manager, approved by the Board of Directors, to assist in risk assessment and effective policy implementation. The ESG Working Group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group’s ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing the ESG Reports. The ESG Working Group arranges regular meetings to assess the effectiveness of current policies and procedures and to develop appropriate solutions to enhance the overall performance of ESG policies. At the meeting, the ESG Working Group discussed existing and future plans to monitor and manage the Group’s sustainability objectives and indicators, mitigate potential risks and minimise negative impacts on our business operations. By formulating ESG-related targets and indicators to reduce our environmental impact, the Group is committed to integrating sustainable development into its business operations and fulfilling corporate responsibility. The ESG Working Group reports regularly to the Board to evaluate the implementation and effectiveness of the internal control mechanisms and to review the progress of established goals and targets. The ESG Working Group will also be involved in the assessment and identification of the Group.

### Stakeholder Engagement

The Group values stakeholder participation and feedback on the Group’s sustainable development, actively communicates with, including but not limited to, investors and shareholders, governments and regulatory agencies, suppliers, employees through multiple communication channels. Maintain close communication with employees, customers, and other stakeholders to identify major ESG issues at ESG and disclose in this Report.

Stakeholders	Communication channels	Expectations and concerns
The Board	Regular board meetings Daily communication and reporting	Compliant operation Financial performance Corporate sustainability development
Employees	Training activities Team building activities Regular performance assessment Staff meetings Daily communication and reporting	Career development Health and safety Remuneration and benefits Equal opportunity
Government and regulatory authorities	Routine communication Compliance management Information disclosure Written communication if necessary	Implementing relevant policies Observing disciplines and laws Paying taxes according to law Business ethics Community participation
Customers	Customer activities Satisfaction survey Regular meetings	Customer information and privacy protection Business integrity and ethics





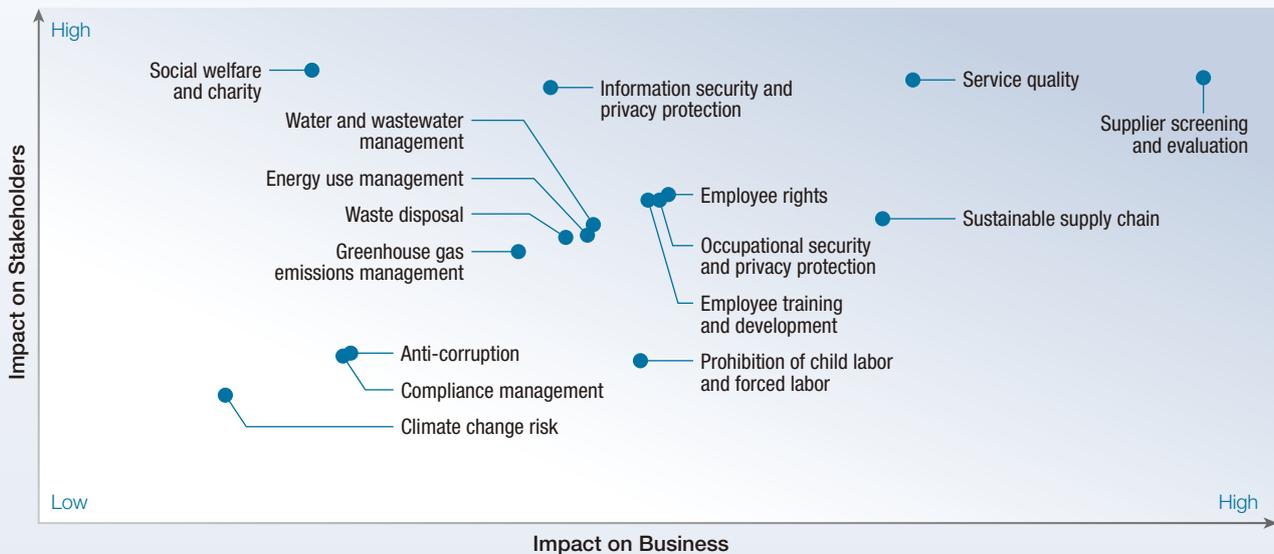
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Stakeholders	Communication channels	Expectations and concerns
Suppliers	Meetings On-site visits Regular assessments Exchange visits	Fair competition Business ethics and reputation Product quality Win-win cooperation
Communities	Promoting employment Community activities Investment and donations	Compliant operation Promoting community development Environmental protection
Shareholders and investors	Annual general meeting and other shareholder meetings Regular company's publications	Compliant operation Financial performance Corporate sustainability
Social groups, NGOs and the media	Company website Circulars and announcements Investment plan for the community ESG reports	Compliant operation Promoting community development Environmental protection Business ethics Health and safety

### Materiality assessment

The Group identified important ESG issues with reference to business development strategies, industry practices and assessment results of important areas and have compiled questionnaires. Through the distribution of questionnaires, the Group's stakeholders identify relevant ESG material issues, and assess their importance to the Group's business and stakeholders. The following matrix is a summary of the Group's material ESG issues during the Reporting Period:

### Materiality Matrix



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Environment

While continuing to pursue the provision of the best logistics services to customers, the Group has strict policies and guidelines in place to protect the environment with the goal of “reduce use, maximize use and recycle” and is committed to reducing environmental impact and carbon footprint. Fuel and Electricity consumption have always been the main causes of greenhouse gases (“GHG”) and other environmental issues of great concern. The Group has adopted policies to prevent pollution, protect natural resources and comply with environmental laws and regulations. We also seek to implement pragmatic green concepts in our daily operations, including refurbishment projects for office buildings and warehouses. The Group always attaches great importance to environmental protection and adheres to sustainable development to maintain ecological balance.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental-related laws and regulations in relation to exhaust gas and greenhouse gases (“GHGs”), emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

### 2030 Environmental Targets

To support global efforts to address climate change, accelerate the pace of transition to a green and low-carbon economy, resolutely achieve the carbon neutral 2050 goal, and assess the effectiveness of the Group’s strategies and measures to mitigate the impact of climate change, we set environmental targets at the Group level as shown below.

Target reduce intensity by 2030, with 2023 as the base year:

Electricity Consumption Intensity	Water Consumption Intensity	Non-hazardous Waste Intensity	GHG Emission Intensity
↓ 5%	↓ 5%	↓ 5%	↓ 5%

Setting these objectives, it provides guidance for the Group’s business strategy. The steps taken to achieve these goals are detailed below.

### Air Emissions

Emissions in Malaysia are regulated by the Environmental Quality Act of 1974, which is overseen by the Malaysian Ministry of Energy, Science, Technology, Environment & Climate Change. The act includes various regulations, including the Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996, commonly referred to as the “Diesel Regulations”. These regulations set forth specific limits on pollutants emitted by diesel engines, such as carbon monoxide, hydrocarbons, nitrogen oxides, and particulate matter. While primarily applicable to automobile manufacturers and assemblers, these standards must be followed whenever an engine in any of our diesel-emitting vehicles is replaced. Furthermore, the Diesel Regulations also establish maximum concentrations and densities of smoke that can be emitted by diesel vehicles in Malaysia at any given time.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group's operational activities adhered to this Environmental Quality Act of 1974, along with all related regulations and other relevant environmental laws and regulations. These measures were implemented to safeguard the environment and mitigate any adverse effects on the Group's operations.

Type of air emissions	Unit	2023	2022
Nitrogen oxides (NO <sub>x</sub> )	kg	2,045.79	1,824.77
Sulfur oxides (SO <sub>x</sub> )	kg	3.00	2.86
Particulate matter (PM)	kg	150.72	135.08

### Greenhouse Gas Emissions (GHG)

Our main source of emissions comes from vehicles, so we continue to use green engines, green vehicles and Euro 5 Diesel as emission reduction measures. We are committed to continuing assess the impact of various activities on the environment, and strive to comply with applicable laws and reduce environmental impact. The Group aims to achieve its net-zero carbon goal. The Group plans to use more energy-saving equipment such as compact fluorescent lamps and variable frequency air conditioners.

Indicator*	Unit	2023	2022
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	496.85	472.20
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	1,093.33	1,338.03
Total GHG emissions	tCO <sub>2</sub> e	1,590.17	1,810.23
Total GHG emission intensity	tCO <sub>2</sub> e/mil rev	13.71	13.41

#### Notes:

- GHG emission data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the "2022 Sustainability Report" published by Hong Kong Electricity Investment Ltd, the development of the emissions factor (EF) of the Vietnamese electricity grid in 2018 by the Department of Climate Change under the Ministry of Natural Resources and Environment (MONRE) and 2021 Grid Emission factor in Malaysia of Suruhanjaya Tenaga Energy Commission managed by the Energy Commission (EC) of Malaysia.
- As at 31 December 2023, the revenue in the Reporting Scope of the Group was RM116 million (as at 31 December 2022: RM135 million). This data is also used for calculating other intensity data.

### Sewage Disposal

Given the nature of the Group's business, its operations do not result in significant sewage discharge. Any wastewater produced by the Group is directed to local sewage treatment plants for proper treatment via the municipal sewage pipe network. Therefore, the Group's water consumption is equivalent to the volume of sewage discharged. Detailed information on the Group's water consumption will be provided in the "Water Management" section.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Waste Management

The Group actively advocates the importance of environmental management, strictly controls the generation of emissions, continuously optimizes management and monitoring, and ensures that the wastewater and solid waste generated are reviewed by the environmental protection department and meet the requirements of national and local environmental standards. The Group attaches great importance to the recycling of internal waste, establishes a waste inventory under the principle of “reduction, recycling, and harmlessness”, monitors the generation, transfer and disposal of waste, strengthens effective control of waste, and prevents waste pollution to the environment. The Group will also educate and support its staff on sustainable development and develop their related skills and knowledge.

### Hazardous Waste

Due to the nature of its business, the Group did not generate any hazardous waste during the Reporting Period. However, the Group has also formulated guidelines for the management and disposal of hazardous waste, and if any hazardous waste is generated, the Group must engage qualified chemical waste collectors to treat such waste to comply with relevant environmental laws and regulations.

### Non-hazardous Waste

The non-hazardous waste generated by the Group’s business activities is mainly office paper and packaging materials. The Group is committed to creating a green workplace culture by promoting paperless operations, raising employees’ environmental awareness and encouraging employees to practice environmental protection by reducing office waste generation, thereby reducing waste disposal. Introducing environmentally friendly measures, such as encouraging employees to print on both sides and increasing recycling. Get rid of excess packaging and reduce waste. The Group will continue to monitor the efficiency of its waste management system.

Types of waste	Unit	2023	2022
Total non-hazardous waste	tonnes	3.94	76.13
Non-hazardous waste intensity	tonnes/mil rev	0.03	0.56
Total hazardous waste	tonnes	0.10	7.14
Hazardous waste intensity	tonnes/mil rev	0.001	0.053

### Resource Management

The Group actively promotes efficient use of resources and continuously assesses the potential impact of business operations on the environment through real-time monitoring. Promote a green office and operating environment to minimize environmental impact. Group employees comply with relevant environmental management principles to minimize water consumption in offices and operating facilities, avoid excessive air-conditioning systems in offices, turn off idle office equipment, and consciously cherish electricity, paper and water resources.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Energy Management

During the daily production and operation of the Group, the main energy consumed is office electricity consumption and gasoline consumption generated by vehicles. According to statistics produced by the latest climate action plan, electricity is the main source of carbon footprint. The Group has taken proactive measures, such as using low-friction tires and lightweight materials. During the Reporting Period, the energy usage of the Group was as follows:

Types of energy consumption	Unit	2023	2022
Direct energy consumption			
Petrol, diesel	MWh	2,020	1,899
Indirect energy consumption			
Purchased electricity	MWh	1,246	2,003
Total energy consumption	MWh	3,266	3,902
Total energy consumption intensity	MWh/mil rev	28.15	28.90

### Water Management

The Group is aware of the current situation of global water shortage and has actively taken measures to address the challenge. We encourage all staff and employees to develop water-saving habits and have established the following water-saving measures: regularly check the integrity of water supply facilities, regularly inspect water supply pipelines, and take timely measures or report to supervisors if water leakage or various control devices are found to be malfunctioning. Formulate plans in a timely manner; strengthen water-saving publicity, post water-saving slogans, and guide employees to use water rationally.

Indicator	Unit	2023	2022
Water consumption	m <sup>3</sup>	6,594	1,966
Water consumption intensity	m <sup>3</sup> /mil rev	56.84	14.56

During the reporting period, due to the nature of the Group's business and operating location, we did not encounter problems in obtaining suitable water sources.

### Packaging Materials Management

The use of packaging materials is considered a significant environmental, social and related matter for the Group. To achieve the goal of sustainable use, the Group eliminates excess packaging and reduces waste.

Indicator	Unit	2023	2022
Packaging material consumption	tonne	18.52	327
Intensity	tonne/mil rev	0.15	2.42



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Environment and Natural Resources

Although the Group's core business has limited impact on the environment and natural resources, the Group attaches great importance to the impact of its business on the environment and natural resources. In addition to complying with environmental laws and regulations to protect the natural environment, the Group also integrates the concepts of environmental and natural resource protection into internal management and daily operating activities. For example, we encourage business partners and stakeholders to assume green responsibilities and promote more environmentally friendly solutions. And identify the environmental impacts related to our operations, set goals to improve our environmental performance, and actively evaluate and analyze our strategies, committed to protecting the environment and fulfilling corporate social responsibilities, such as our fundraising for Community Recycle for Charity activities to achieve the goal of environmental sustainability, improve the environmental monitoring and early warning system, and establish an emergency response system for environmental emergencies.

### Climate Change

Addressing climate change represents the main direction of the global green and low-carbon transformation. The Group actively responds to the country's call, identifies the risks and opportunities of climate change based on its own current situation, and incorporates them into the risk management system to strengthen its ability to respond to the risks and opportunities of climate change.

#### *Physical Risk*

Climate physical risks pose significant challenges to freight and transportation industry, including disruptions due to extreme weather events, rising sea levels, temperature extremes, wildfires, storm surges, coastal erosion, and infrastructure damage. To mitigate these risks, the Group consider diversifying transportation routes, investing in resilient infrastructure, adopting climate-resilient storage solutions, and closely monitoring weather forecasts. Therefore, we have formulated prevention and response measures for sudden disasters to ensure the safety and health of our employees. For employees who live in areas prone to extreme weather, we adjust their work arrangements and pay attention to them to ensure their life safety. In addition, in order to reduce the challenges posed by climate change to operations, the Group actively explores new business models to change, mitigate or avoid additional operating costs and accidents caused by climate change.

#### *Transition Risk*

In line with the vision of achieving global carbon neutrality, the Group continues to pay attention to the latest climate-related legislation and regulations and the challenges they pose to the industry. Stricter environmental laws and regulations may expose companies to higher policy risks. Corporate reputation, related capital investment and compliance costs may also be affected by failure to meet climate change compliance requirements. To this end, the Group regularly monitors existing and emerging climate-related trends, policies and regulations and is prepared to alert top management when necessary to avoid increased costs, non-compliance fines or reputational risks resulting from slow response. In addition, the Group has always adopted comprehensive environmental protection measures (including greenhouse gas emission reduction measures), and set goals to gradually reduce the Group's energy consumption and greenhouse gas emissions in the future.

#### *Climate-related Opportunities*

At present, the risks brought by climate change have prompted the development of the transportation industry such as the use of clean energy, innovative technologies to improve the transportation process, and reduce energy consumption and emissions, thus bringing new opportunities for the group's future sustainable development.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Social

#### Employment

The effective recruitment, training, and development of employees significantly impact a company's performance. Our human resources policies align with relevant labor laws, such as the Employment Ordinance, Employee's Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance, Minimum Wage Ordinance in Hong Kong, Labour Code 2019 in Vietnam, and Employment Act 1955 in Malaysia. We have established institutional policies, including the employee handbook and guidelines, to ensure compliance and manage various aspects of employment, such as recruitment, compensation, dismissal, and equal opportunities.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group.

#### Recruitment, Assessment, and Training

The Group utilizes a comprehensive approach to employee recruitment, emphasizing industry experience, process skills, and interpersonal abilities. Retention plans are implemented to attract and retain talented individuals. Performance and ability reviews are conducted annually, tailored to each employee's specific role. The Group employs a "key performance indicator" system to set performance expectations, categorized as "Exceeds expectations", "Meets expectations", or "Fails to meet expectations". Training programs, both internal and external, cover logistics industry knowledge, regulations, and practical topics. Induction and on-the-job training are provided during the probation period, with regular reviews thereafter. The Group collaborates with universities through internships, offering opportunities for new graduates to gain practical experience and develop their skills. Exceptional interns may receive additional training and be offered permanent positions within the Group.

#### Equal Opportunities, Diversity, and Anti-discrimination

The Group strictly complies with all national and local governmental laws and regulations by adopting a fair, equitable and open recruitment process and developing relevant policies to prevent discrimination in the recruitment process to ensure no discrimination regardless of race, social status, religion, nationality, disability, age, marital status, gender, pregnancy, sexual orientation, trade union membership or political association, allowing them to enjoy fair treatment in every aspect including recruitment, remuneration, training and promotion, dismissal, retirement or other aspects in relation to employment such that the Group could attract talents and professionals with diverse backgrounds. Should any employee be intimidated, humiliated, bullied or harassed (including sexual harassment), they could report to the employee's representative, or file complaints directly to the general manager. The Group will take serious approach to resolve these issues upon receiving the said complaints.

#### Working Hours and Holidays

The Group strictly adheres to the provisions outlined in the "Human Resources Manual" to ensure the eradication of forced labor. We prioritize the protection of workers' rights in compliance with applicable laws and regulations such as Malaysia's "Employment Act" and Hong Kong's "Employment Ordinance". We uphold employees' legitimate rights and interests, including their entitlement to rest and vacations. Working hours are regulated, and employees are granted various rest periods and vacations as stipulated in the "Regulations on Paid Annual Leave for Employees" and other relevant laws. We have implemented a paid annual leave system and provide overtime wages for work that exceeds legal working hours. Additionally, the Group offers paid annual leave, marriage leave, maternity leave, paternity leave, breastfeeding leave, bereavement leave, sick leave, personal leave, and other holidays.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Compensation and Dismissal

The Group complies with relevant employment regulations and guidelines, and employees injured on the job will receive compensation as specified in the Group's insurance plan. The Group strictly prohibits unreasonable dismissal under any circumstances. Dismissal will follow the prescribed procedures and provide reasonable treatment and compensation to dismissed employees. Relevant provisions for termination of employment are included in each employee's employment contract.

As at 31 December 2023, the Group had a total of 380 employees. The employee structure by gender, age group and geographical location is as follows:

Employee structure	2023	2022
<b>By Gender</b>		
Male	129	211
Female	251	224
<b>By Age Group</b>		
30 or below	201	195
31–40	130	172
41–60	49	67
61 or above	0	1
<b>By Region</b>		
Hong Kong	16	16
Malaysia	4	195
Vietnam	354	222
Japan	2	2
USA	4	0
<b>By Rank</b>		
Senior management	5	8
Middle management	8	3
General staff	15	193
Contract or short term	352	211





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the Group's overall employee turnover rate was 27.1%. The breakdown of employees according to gender, age and regions are as follows:

Employee turnover rate	2023	2022
<b>Total</b>	<b>27.1%</b>	34.9%
<b>By Gender</b>		
Male	<b>38.0%</b>	37.9%
Female	<b>21.5%</b>	32.1%
<b>By Age Group</b>		
30 or below	<b>33.8%</b>	45.6%
31–40	<b>19.2%</b>	26.7%
41–60	<b>20.4%</b>	23.9%
61 or above	<b>0%</b>	100%
<b>By Region</b>		
Hong Kong	<b>162.5%</b>	250.0%
Malaysia	<b>0%</b>	34.9%
Vietnam	<b>21.8%</b>	19.8%
Japan	<b>0%</b>	0%
USA	<b>0%</b>	0%

### Health and Safety

Our Group is committed to provide a safe and healthy working environment for our employees. We have complied with the Malaysia Occupational Safety and Health Act 1994 of Malaysia and the Occupational Safety and Health Ordinance of Hong Kong (Cap. 509) and Law on Occupational Safety and Health of Vietnam.

In accordance with the Malaysian Occupational Safety and Health Act 1994, which applies to various industries including "Transport, Storage, and Communication", we prioritize the safety, health, and welfare of our employees to the extent feasible. This entails providing adequate training and supervision, maintaining a safe working environment and equipment, ensuring safety in the handling, storage, and transport of goods, and having a written health and safety policy that employees are aware of. Our commitment extends beyond legal compliance, as we aim to deliver freight forwarding and logistics services that are secure and worry-free for our customers and partners. Our Safety, Health, Environmental, and Security (SHES) policy aims to foster a work environment that prioritizes safety, security, good health, and general well-being. Key objectives include promoting SHES awareness, adhering to best practices, exceeding customer expectations, and being a positive contributor to communities and stakeholders. We regularly engage external trainers to enhance employee awareness on these matters. Additionally, we require employees to report any work-related injuries or illnesses, regardless of severity, and ensure that our office buildings, warehouses, vehicles, and equipment comply with safety standards and local regulations in terms of both safety and appearance. Furthermore, we provide periodic health checks for all employees.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We remained dedicated to promoting safety awareness throughout the entire organization by educating, motivating, and engaging employees in the preservation of the environment and accident prevention. Compliance with applicable laws, regulations, and internal requirements remained a priority for the Group. Various programs and activities were organized during the Financial Year, including Security Awareness Training, Forklift Safety & Certification Program, participation in Dangerous Goods Regulations courses, promotion of physical wellness, and personal improvement courses. Department heads were assigned to inspect facilities and ensure the provision of adequate personal protective equipment, stocked first aid supplies, and operational emergency equipment.

### Statistics on Work-related Fatalities and Work-related Injuries

	2023	2022	2021
Work-related fatalities (cases)	0	0	0
Rate (%)	0	0	0
Working days lost due to work injury (days)	0	0	0

During the Reporting Period, there was no cases of workplace accidents and did not record any work-related fatality of employees in the past three years.

During the Year, the Group has also complied with the provisions of the Malaysian Occupational Safety and Health Act 1994 and the relevant laws and regulations relating to safety, health, environment, and security.

### Development and Training

The Group values its employees as individuals as well as recognizing their role as the engine of the Group's performance and growth. We acknowledge the importance of empowering our people through development and training. The Group conducted regular training and coaching to enhance our workforce's practical knowledge and skills. We also aim to improve staff retention and maximize competency as well as their understanding of the industry's trends opportunities and challenges.

During the Financial Year, the Group has organized and participated in various technical and soft skills trainings. They were as follows:

- ISO 9001:2015 AWARENESS & INTERNAL AUDITING
- Forklift skills, safety & daily maintenance
- Ethical driving and safety
- BDO Tax Webinar on Budget 2023: Aligning Your Business with Recent Changes
- Understanding Various Types of Validation for Manufacturing of Medical Devices (GDPMD)
- International maritime Dangerous Goods IMDG Code General Awareness
- Dangerous Goods Regulations Category 6
- TAPA APAC Risk Assessment Standards 2023
- Kursus Ejen Kastam Eksekutif





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

- Train The Trainer
- Winning In the Highly Vuca Time
- OSH Coordinator Trained Person

The Group participated in seminars and workshops related to logistic and freight forwarding industries. During the Reporting Period, a total of 93.68% of the Group's employees received training, with the average number of training hours per employee being 0.47 hours. The training situation by gender and rank is as follows:

	2023	2022
<b>By Gender</b>		
Male	89.9%	42.1%
Female	95.6%	57.9%
<b>By Rank</b>		
Senior management	0%	1.6%
Middle management	37.5%	5.7%
General staff	60.0%	25.7%
Contract or short term	97.7%	67%

During the Reporting Period, 178 training hours have been provided to our employee.

Average no. of training hours (hours)	2023	2022
<b>By Gender</b>		
Male	0.45	7.3
Female	0.48	11
<b>By Job Level</b>		
Senior management	0	22.8
Middle management	0.19	26.4
General staff	0.30	15.6
Contract or short term	0.49	1.0

### Promote Diversity

The Malaysian Federal Constitution prohibits any discrimination on grounds including race, religion or gender; the Group is committed to gender equality. We treat male and female employees equally, safeguard the health, safety, and wellbeing of all employees. We also promote women's career advancement by enhancing their education and training and raise community awareness through community programs and campaigns. Training programs were conducted to encourage woman to play a more active role in the organization to improve the retention of female employees and improve their suitability for promotion. The Group continues to take a proactive approach in promoting a more prominent role for women in the workplace. Out of the five directors on the Board, two directors are female, representing 40% of the board composition.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Moving forward, we strive to achieve an equal balance between female and male employees at all levels of the workforce and will continue our hiring and career efforts in support of women for their careers' advancements and equality.

### A Learning Culture

A well-trained workforce is an essential prerequisite to success in a rapidly evolving industry. Skilled workers are more productive and better able to adapt to the increasing pace and complexity of innovation.

In addition to the extensive training we provide, we also encourage personal development and a studious attitude, both for career progression and to foster a spirit of innovation and creativity.

The Group's "Fusion of Employee's Awareness" aims to impart a good learning culture, adaptability, SHES proficiency, brand awareness and a sense of belonging towards developing a world-class team. The Group has conducted "team building activities" aimed at building trust inculcating a sharing and caring attitude, nurturing, and preserving a good and healthy working relationship between employees, the management and the community.

### Employee Wellbeing

During the Year, the Group has organized various activities for our employees to demonstrate our commitment to supporting and caring for our employees. Below are some of the activities conducted during the Year:

January 2023	Celebrating of Chinese New Year dinner
April 2023	Celebrating of Hari Raya Aidilfitri
July 2023	Skytrex Adventure @ Sungai Congkak
September 2023	Malaysia Day Fiesta @ UCSI University
November 2023	Celebration of Worldgate's 24 Anniversary
December 2023	Bowling Competition @ Ole-ole Shopping Centre
December 2023	Company Xmas Party

### Labor Standards

#### **Prevent Child Labor and Forced Labor**

The Group fully adheres to the Children and Young Persons (Employment) Act 1966 in Malaysia, which imposes strict limitations on the type of work that individuals under the age of fourteen can engage in. We firmly oppose child labor and forced labor on both ethical and legal grounds. Recognizing that these practices violate fundamental human rights and international labor conventions, as well as harm social structures and international relations, we have implemented human resources policies and guidelines that align with relevant employment laws and regulations. Throughout the Year, the Group maintained compliance with employment regulations, including the Children and Young Persons (Employment) Act 1966 and other applicable laws and regulations. We strictly abide by labor standards laws and regulations and ensure that employees have a clear understanding of forced labor and labor rights systems. During the recruitment process, applicants are required to complete an "Applicant Registration Form", and thorough interviews, background checks, and assessments are conducted to verify their physical condition, academic qualifications, identification documents, residency status, age, and other job requirements. The Group strictly prohibits the employment of child labor. If employees suspect or encounter instances of child labor or forced labor, they are encouraged to report it to their department supervisor or executive director. Should the Group become aware of any violation of labor standards within its jurisdictions, it will promptly address the issue in accordance with applicable laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Supply Chain Management

The Group has a supply chain management system covering cargo warehouse providers, overseas freight and logistics service providers, subcontractors (such as local land transportation and other logistics service providers), fuel and equipment suppliers. During the Year, the Group had 26 suppliers, all of which were located in Hong Kong.

We engage with suppliers fairly, transparently, and ethically. The Group maintains close communication with its suppliers to allow better understanding of their operations.

The Group follows a well-defined purchasing process to implement and monitor its suppliers. Throughout the year, there were no significant cases identified where key suppliers or subcontractors demonstrated adverse business ethics, labor practices, or non-compliance with environmental laws and regulations, to the best of the Group's knowledge.

### Green Procurement

The Group hopes to build a virtuous ecosystem by exploring the innovation and change of the supply chain. The Group is committed to local procurement, reducing turnaround times, and implementing sustainable development in the Group's business model. In the procurement process, the Group will give priority to local suppliers and environmentally friendly products and services, with a view to reducing the carbon footprint caused by procurement through local procurement, while supporting local economic development and creating employment opportunities for local communities.

### Product Responsibility

The Group's core mission is to prioritize "safety services", emphasizing our commitment to ensuring the safety and security of our customers' cargo. We strive to assist our customers in minimizing the risks associated with theft, interception, and loss. The Group's facilities are in a secure area equipped with a closed-circuit surveillance system. The Group also adopts risk management measures such as the use of global positioning systems. The Group's management team has gained extensive risk management knowledge through practical experience and participation in risk management training, including a deeper understanding of the ISO 9001 quality management system. The Group also formulates and implements security policies and procedures and establishes a security working group responsible for ensuring compliance with such policies and procedures. In addition, the Group is also committed to providing customers with feasible options to deliver customers' goods in a better and more cost-effective way.

### Intellectual Property Rights

The Group's primary focus is on providing comprehensive international freight services, transportation services, and warehousing services to customers worldwide. To safeguard our intellectual property rights, the Group has registered a range of trademarks and domain names in Malaysia and Hong Kong. We are dedicated to adhering to all relevant laws concerning intellectual property, including the Malaysian Copyright Act 1987, the Malaysian Patents Act 1983, and the Malaysian Trademarks Act 1976.

### Service Quality and ISO 9001

As the freight forwarding and logistics industry continues to rapidly evolve, the Group has continued its policy of "Total Quality Assurance" to extend its product and service diversity as part of the Group's continuing pursuit for the highest standards of service.

By implementing an ISO 9001 Quality Management System benefits the Group in multiple ways. It enhances customer satisfaction by meeting their requirements and improving service quality. Operational efficiency is improved through standardized processes and procedures. Risk management is enhanced by identifying and mitigating potential risks. Compliance with regulations and industry standards is ensured. Strong relationships with reliable suppliers are established. Continuous improvement is fostered through regular monitoring and corrective actions. Overall, ISO 9001 helps us to improve customer satisfaction, operational efficiency, and fosters a culture of continuous improvement.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Company has created a Business Development Unit which conducts research on market trends and big data analytics to provide insights to the senior management to enhance the Group's competitiveness and market share.

During the Year, the Group received no complaints regarding its products and/or services. The Group has set up a dedicated customer service department to handle customer complaints. The Group will identify and analyze the reasons and provide countermeasures for handling complaints. The internal system will record all complaints, including complaint details, handling methods and results.

### Data Privacy and Protection

The Group place a strong emphasis on safeguarding customer's personal data, recognizing its significance as outlined in the Malaysian Personal Data Protection Act 2010. The Group undertakes all necessary measures to ensure that customer data processed by us is handled in a fair and lawful manner. Confidentiality of customer data is strictly upheld by all employees and third-party service providers who have access to such information, in accordance with relevant laws and regulations. Our employees are required to sign a commitment to comply with the intellectual property policy. Any information pertaining to the Company, including business activities, revenue, financial details, announcements, or data concerning individuals and organizations, may not be disclosed to the media or the public without the consent of the Company's director.

During the Year, the Group was not aware of any incidents of non-compliance with the above-mentioned intellectual property or data protection laws and regulations or any other relevant laws and regulations regarding health and safety, advertising, labelling, privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

### Anti-corruption

The Group strongly emphasizes on fostering a corporate culture rooted in honesty and integrity, as it is crucial for upholding our corporate image. In compliance with the Malaysian Anti-Corruption Commission Act 2009, we have implemented anti-corruption policies that are outlined in our human resources policies and guidelines. When entering employment contracts, we ensure that our employees receive comprehensive explanations of the relevant anti-corruption laws and guidelines, emphasizing the importance of strict compliance and performing their duties in good faith. It is expected that all employees uphold integrity in discharging their responsibilities and adhere to applicable local and international laws that pertain to them or the Group.

To prevent any misconduct happening, the Group maintains close oversight of the conduct of its management personnel, including measures to prohibit the transfer of benefits when engaging with new customers, suppliers, or project investments. Additionally, the Group conducts regular anti-corruption training for employees and encourages anonymous reporting.

### Anti-corruption Training

During the Reporting Period, we organized an ethics policy training program and an anti-corruption policy training course to educate and enhance employees' anti-corruption awareness. A total of 2 directors and 12 employees participated in this training.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Whistle-blowing Policy

The Group has established a transparent whistle-blowing mechanism for reporting any potential fraudulent cases or reasonably suspected corruption to relevant departments. Designated Committee is formed to handle the investigation and resolution of the cases to ensure the independence and reliability of the investigation results. All reported cases will be handled confidentially to protect the identity of the whistle-blower and his/her privacy. They will not be subjected to unfair dismissal or unreasonable disciplinary action and protect other legal rights of the whistle-blowers. The whistle-blower will receive the result of the investigation within reasonable time. If the person was suspected of violating any laws in corruption or participating in other unlawful activities upon the internal investigation, the cases would be further handed over to the relevant justice authorities for relevant legal actions.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with the Anti-Corruption Commission Act 2009 or with any other relevant laws and regulations regarding bribery, extortion, fraud, and money laundering. Also, there were no concluded legal cases regarding any forms of fraud raised by the Group or its employees.

### Community Investment

As part of our sustainable development strategy, the Group strongly believes in contributing to society. We are dedicated to providing employment opportunities to local individuals and fostering economic growth within the community. Public welfare initiatives are integral to our long-term development goals. In times of natural disasters, such as earthquakes, the Group actively engages in volunteer and environmental protection activities to raise awareness within the community and encourage greater employee participation in community service. We have plans to further enhance our involvement in community activities, as we believe it not only benefits society but also helps foster a positive corporate culture and actively fulfill our corporate social responsibilities.



# REPORT OF THE DIRECTORS

The Board are pleased to present their report together with the audited consolidated financial statements of the Group for the Financial Year.

## Principal Activities

The Group is a well-established integrated logistics solution provider in Malaysia and Hong Kong principally engaged in providing international freight forwarding and logistics services, with a primary focus on air/sea freight forwarding and related services, trucking and warehousing to customers worldwide, manufacturing and trading of plastic products in Vietnam and trading of used mobile phones. The Company's principal subsidiaries are set forth in note 35 to the consolidated financial statements.

## Business Review and Analysis of Key Financial Performance Indicators

The business review and analysis of key financial performance indicator of the Group for the Financial Year are set out in the "Chairman's Statement and Management Discussion and Analysis" of this annual report.

## Financial Results

The results of the Group for the Financial Year and the financial position of the Company and the Group as at 31 December 2023 are set forth in the consolidated financial statements on pages 65 to 133 of this annual report.

## Final Dividend

The Board does not recommend the payment of a final dividend for the Financial Year (2022: nil).

## Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements of the Group or the Prospectus, is set out on page 134 of this annual report. This summary does not form part of the consolidated financial statements for the Financial Year.

## Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Financial Year are set out in note 14 to the consolidated financial statements.

## Properties

The Group did not hold any major property for development and/or sale or for investment purpose as at 31 December 2023.





## REPORT OF THE DIRECTORS (CONTINUED)

### Share Capital

Details of the Company's share capital are set out in note 27 to the consolidated financial statements.

### Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### Reserves

Details of movements in the reserves of the Company and of the Group during the Financial Year are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

### Distributable Reserves

As at 31 December there is no Company's reserves (comprising share premium, other reserve and accumulated losses) available for distribution to the Shareholders. Details of the Company's distributable reserves as at 31 December 2023 are set out in note 36 to the consolidated financial statements.

### Share Option Scheme

The Company has adopted the share option scheme ("**Share Option Scheme**"), which was approved by written resolutions passed by the Shareholders on 17 June 2016. Under the terms of share option scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an eligible person (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any performance criteria which must be satisfied by the eligible person, the Company, and its subsidiaries, before an option may be exercised).

The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

The Share Option Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme. As at 31 December 2023, there were a total of 800,000 Share Options, representing approximately 0.13% of the issued Shares, available for issue under the Share Option Scheme. Since the Share Option Scheme came into effect, no share options were granted, exercised or cancelled by the Company.



## REPORT OF THE DIRECTORS (CONTINUED)

### Equity-linked Agreements

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that (i) will or may result in the Company issuing Shares; or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Financial Year or subsisted at the end of the Financial Year.

### Purchase, Redemption or Sale of the Listed Securities of the Company

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

### Major Customers and Suppliers

During the Financial Year, the five largest suppliers of the Group accounted for about 41.1% of the Group's cost of sales and the largest supplier accounted for about 16.8% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 52.2% of the Group's total revenue and the largest customer accounted for about 34.8% of the total revenue.

Based on the information publicly available to the Company and to the best knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

### Related Parties Transactions

Related parties transactions of the Group during the Financial Year are disclosed in note 34 to the consolidated financial statements. The Directors are not aware of any related parties transactions which constituted a connected transaction or continuing connected transaction under the GEM Listing Rules.

### Environmental Policies and Performance

The Group understands the importance of environmental sustainability and protection. We are committed to reducing the impact of our environmental footprint while continuing to deliver optimal logistics services for our customers. In view of our operation, the consumption of fuels and energy while provision of air/sea freight forwarding, trucking and warehousing services is a significant contributor to emission and greenhouse gas and other environmental concerns. Our focus is on improving fuel efficiency for the fleets of trucks, and the energy usage. The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. The Group also puts green ideas into practice in our daily operations and office renovations.





## REPORT OF THE DIRECTORS (CONTINUED)

### Permitted Indemnity Provisions

The Articles provides that the Directors, Secretary and other officers and every Auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

### Compliance with Laws and Regulations

The Group and its activities are subject to requirements under various laws in Malaysia including Customs Act, Excise Act, Road Transport Act and Occupational Safety and Health Act, Cayman Islands, Vietnam and Hong Kong and all applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules also apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with the designated resources at different levels of the Group.

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. During the Financial Year, the Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the business of the Group.

### Key Relationship with Employees, Customers and Suppliers

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including employees, customers, suppliers and subcontractors.

The principal policies concerning remuneration of employees are determined based on their duties, responsibilities, experience and skills. The Group regularly reviews and determines the remuneration and compensation packages of the employees. The Group regularly provides discretionary bonuses to its senior management and key employees as incentive. The Group is also committed to providing a safe and healthy environment for its employees. The management policies, working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. As part of its human resources policies, the Group organises building and training programs, bonding activities, such as bowling activities and annual staffs dinners, to allow employees to build up teamwork and to strengthen their bonding. During the Financial Year, the Group did not experience any strike or labour dispute with its staffs which had caused significant disruption to the Group's business operations.

The Group maintains good relationship with its customers. The Group has dedicated sales department which carries out sales calls to potential customers and customer service department which handles customer general enquiries, service bookings, complaints and feedback, and provides daily updates to customers on their shipments. If there is any complaint from customers, it will be reported to the management and immediate remedial action will be taken and feedback from the customers will be followed till settlement of the complaint. Thereafter, the cause of such complaint will be studied, analysed and evaluated and recommendations will be in place for improvement.



## REPORT OF THE DIRECTORS (CONTINUED)

The Group is committed to upholding the highest ethical and professional standards when dealing with suppliers and subcontractors. The Group has in place a policy in order to monitor their performance. The Group's management team conducts supplier and subcontractor performance review regularly and communicates with suppliers and subcontractors that have unsatisfactory ratings for rectification or improvements. During the Financial Year, the Group did not receive any material complaints from its suppliers and subcontractors due to late payments nor did the Group suffered material shortage of cargo space or other services from them.

In view of the above and as at the date of this report, there is no circumstance of any event which will have a significant impact on the Group's business and on which the Group's success depends.

### Directors

The Directors during the Financial Year and up to the date of this report were:

#### Executive Directors

Mr. Lai Kwok Hei, *Chairman*

Mr. Chan Kin Ho, Philip

#### Independent Non-executive Directors

Mr. Wong Siu Keung Joe (resigned on 16 June 2023)

Ms. Wong Hoi Yan Audrey

Mr. Ma Kin Hung

Ms. Cheung Choi Hung (appointed on 16 June 2023)

Article 83(3) of the Articles provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting (the "AGM") of the Company and shall then be eligible for re-election.

Mr. Lai Kwok Hei and Ms. Cheung Choi Hung will retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM.

Article 84 of the Articles provides that (1) one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement by rotation at least once every three years. (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself/herself for re-election.





## REPORT OF THE DIRECTORS (CONTINUED)

### Biographies of Directors

The biographical details of the Directors are set out under the section headed “Directors and Senior Management” of this annual report.

### Directors’ Service Contracts

Mr. Chan Kin Ho, Philip and Mr. Lai Kwok Hei have entered into a service agreement with the company for an initial fixed term of one year commencing from the date of agreement. These agreements shall continue thereafter unless and until terminated by either party giving to the other not less than three months’ notice in writing.

Ms. Cheung Choi Hung has a fixed term of appointment for a period of one year commencing on 16 June 2023; Ms. Wong Hoi Yan Audrey has a fixed term of appointment for a period of one year commencing on 21 May 2023; Mr. Ma Kin Hung has a fixed term of appointment for a period of one year commencing on 31 July 2023; and these agreements shall continue for a term of one year and until terminated by either party giving to the other not less than three months’ notice in writing, subject to retirement by rotation and re-election at AGM in accordance with the Articles.

None of the Directors proposed for re-election at the forthcoming AGM has a service agreement/letter of appointment with the Company, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### Directors’ Remunerations

Details of the remuneration of Directors are set out in note 11 to the consolidated financial statements.

### Directors’ Emolument Policy

The Remuneration Committee was established for reviewing and determining the remuneration and compensation packages of the Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed “Share Option Scheme”.



## REPORT OF THE DIRECTORS (CONTINUED)

### Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2023, none of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules ("Model Code") relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

### Substantial Shareholders' Interests and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2023, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares held <sup>(1)</sup>	Percentage of shareholding
Win All Management Limited ("Win All")	Person having a security interest in shares <sup>(2)</sup>	188,360,000 (L)	29.73%
Mr. Ng Hang Fai Calvin ("Mr. Ng")	Interest in controlled corporation <sup>(2)</sup>	188,360,000 (L)	29.73%

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

(2) Mr. Ng has 100% of direct interest in Win All. Therefore, Mr. Ng is deemed to be interested in 188,360,000 Shares held by Win All.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.





## REPORT OF THE DIRECTORS (CONTINUED)

### Directors' Rights to Acquire Shares or Debentures

At no time during the Financial Year was the Company or its subsidiaries a party to any arrangement 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.

### Competing Interests

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

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient float of more than 25% the issued Shares as required under the GEM Listing Rules.

### Directors' Interest in Significant Contracts

Save as disclosed in the section headed "Related Party Transactions" in note 34 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business in which the Company or any its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Financial Year.

### Events After the Reporting Period

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2023 and up to the date of this report.



## REPORT OF THE DIRECTORS (CONTINUED)

### Independent Auditor

The consolidated financial statements for the Financial Year were audited by Elite, the independent auditor, who will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board  
**WORLDGATE GLOBAL LOGISTICS LTD**

**Lai Kwok Hei**  
*Chairman*

Hong Kong, 27 March 2024





## INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF WORLDGATE GLOBAL LOGISTICS LTD

*(incorporated in Cayman Islands with limited liability)*

### Opinion

We have audited the consolidated financial statements of Worldgate Global Logistics Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 133, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgements, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

#### How our audit addressed the key audit matter

##### Impairment assessment on goodwill, property, plant and equipment and right-of-use assets

Refer to notes 4, 14, 15 and 16 to the consolidated financial statements and the accounting policies set out on notes 3.4, 3.6 and 3.7.

The carrying amount of goodwill, property, plant and equipment, right-of-use assets before impairment assessment are significant to the Group during the year ended 31 December 2023. Based on management's assessment, the Group recognised an impairment loss of goodwill, property, plant and equipment, right-of-use assets of approximately RM1,019,000, RM6,137,000 and RM2,409,000 respectively for the year ended 31 December 2023.

We identified the impairment assessment on goodwill, property, plant and equipment, right-of-use assets as a key audit matter due to the magnitude of the carrying amount of the assets before impairment assessment and the fact that significant judgements were required by management (i) to identify whether any impairment indicators existed for the assets during the year; (ii) to determine the appropriate recoverable amounts, being higher of the fair value less costs of disposal and value in use; and (iii) to select key assumptions to be adopted in the valuation models for the impairment assessments, including forecast revenue growth rate, gross profit margin, terminal growth rate, and discount rate used in the projection period.

Our procedures in relation to management's impairment assessment on goodwill, property, plant and equipment and right-of-use assets included:

- Discussed and evaluated management's identification of indicators of potential impairment and the methodology applied in the preparation of the discounted cash flow forecast with reference to the requirements of the HKFRSs, taking into account business changes during the year;
- Evaluated the competence, capability and objectivity of the external independent professional valuer (the "Valuer") engaged by the Group;
- Discussed with the Valuer on the scope of estimation on the recoverable amount, and evaluated the valuation methodologies used in determining the recoverable amounts;
- Assessed the appropriateness and reasonableness of the key assumptions and input data used in the discounted cash flow forecast by the Valuer such as revenue growth rate, discount rate and terminal growth rate by comparing these assumptions against relevant market data of similar business and industry; and
- Re-performed management's calculation of the discounted cash flow forecast.

Based upon the above, we found that the estimation and judgements made by management in respect of the impairment assessment of goodwill, property, plant and equipment and right-of-use assets were supportable by the available evidence.





## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key audit matter

### How our audit addressed the key audit matter

#### Impairment assessment on trade receivables

Refer to notes 4 and 19 to the consolidated financial statements and the accounting policies set out on note 3.9.

We identified the impairment assessment under expected credit losses ("ECL") of HKFRS 9 for accounts receivable as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement.

- Determination of the criteria for significant increase in credit risk ("SICR");
- Selection of models and assumptions used in the ECL models, including Probability of default ("PD") and Loss given default ("LGD"); and
- Establishing the relative probability weightings of forward-looking scenarios.

The total gross amount of accounts receivable was approximately RM20,816,000 with accumulated impairment provision of approximately RM6,798,000 as at 31 December 2023.

Our procedures in relation to management's impairment assessment on trade receivables included:

- Understanding the established policies and procedures on impairment assessment of the Group in relation to the application of ECL model under HKFRS 9;
- Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or the accounts receivable is credit-impaired as required by HKFRS 9;
- Evaluating the reasonableness and appropriateness of the model and assumption; and
- Examining significant data inputs into the ECL model, including PD and LGD after taking into consideration of forward-looking information.

Based upon the above, we found that the estimation and judgements made by management in respect of impairment assessment on trade receivables were supportable by the available evidence.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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 this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgements and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.





## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditor's report is Mr. MAK, Kin Wang with Practising Certificate number: P08114.

### **Elite Partners CPA Limited**

*Certified Public Accountants*

Level 23, YF Life Tower

33 Lockhart Road

Wan Chai, Hong Kong

27 March 2024



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RM'000	2022 RM'000
Revenue	5	116,351	134,595
Cost of sales		(108,738)	(121,332)
Gross profit		7,613	13,263
Other income and other net gain and loss	7	(6,228)	5,877
Fair value changes on financial assets at fair value through profit or loss		(1,570)	(1,322)
Net reversal/(provision) of impairment losses on trade and other receivables		1,259	(7,196)
Share of results of an associate		165	(702)
Selling and distribution costs		(6,946)	(8,595)
Administrative expenses		(14,540)	(14,049)
Finance costs	8	(508)	(761)
Loss before taxation		(20,755)	(13,485)
Income tax (expense)/credit	9	(10)	396
Loss for the year	10	(20,765)	(13,089)
Other comprehensive income/(expense):			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation from functional currency to presentation currency		3,369	(354)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Share of exchange difference of an associate		177	278
Other comprehensive income/(expense) for the year, net of income tax		3,546	(76)
Total comprehensive expense for the year		(17,219)	(13,165)
Loss for the year attributable to:			
– Owners of the Company		(20,402)	(12,551)
– Non-controlling interests		(363)	(538)
		(20,765)	(13,089)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		(16,877)	(12,637)
– Non-controlling interests		(342)	(528)
		(17,219)	(13,165)
Loss per share	13	RM	RM
– Basic and diluted		(3.22 sen)	(1.98 sen)



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 RM'000	2022 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	14	2,011	8,143
Right-of-use assets	15	320	3,520
Goodwill	16	–	977
Interest in an associate	17	7,096	3,346
Financial assets at fair value through profit or loss	20	2,171	3,619
		<b>11,598</b>	19,605
<b>Current assets</b>			
Inventories	18	4,920	6,982
Trade and other receivables	19	19,819	27,031
Financial assets at fair value through profit or loss	20	306	283
Tax recoverable		151	792
Cash and bank balances	21	21,681	27,583
		<b>46,877</b>	62,671
<b>Current liabilities</b>			
Trade and other payables	22	14,737	20,574
Contract liabilities	23	46	199
Bank borrowings and overdrafts	25	3,876	3,428
Tax payables		19	25
Lease liabilities	26	1,301	1,544
		<b>19,979</b>	25,770
<b>Net current assets</b>		<b>26,898</b>	36,901
<b>Total assets less current liabilities</b>		<b>38,496</b>	56,506
<b>Non-current liabilities</b>			
Bank borrowings	25	892	750
Lease liabilities	26	1,135	2,068
		<b>2,027</b>	2,818
<b>Net assets</b>		<b>36,469</b>	53,688



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

At 31 December 2023

	<i>Notes</i>	2023 RM'000	2022 RM'000
<b>Capital and reserves</b>			
Share capital	27	33,712	33,712
Reserves	28	2,544	19,421
Equity attributable to the owners of the Company		36,256	53,133
Non-controlling interests		213	555
<b>Total equity</b>		<b>36,469</b>	<b>53,688</b>

The consolidated financial statements on pages 65 to 133 were approved and authorised for issue by the Board of Directors on 27 March 2024.

Lai Kwok Hei  
*Director*

Chan Kin Ho Philip  
*Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Exchange reserve	Accumulated losses			
	(note 27) RM'000	(note 28(i)) RM'000	(note 28(ii)) RM'000	(note 28(iii)) RM'000	RM'000			
<b>As at 1 January 2022</b>	33,712	37,382	16,972	184	(22,480)	65,770	1,083	66,853
Loss for the year	-	-	-	-	(12,551)	(12,551)	(538)	(13,089)
Other comprehensive expense:								
Exchange difference arising on translation from functional currency to presentation currency	-	-	-	(364)	-	(364)	10	(354)
Share of exchange difference of an associate	-	-	-	278	-	278	-	278
Total comprehensive income/(expense) for the year	-	-	-	(86)	(12,551)	(12,637)	(528)	(13,165)
<b>As at 31 December 2022 and 1 January 2023</b>	33,712	37,382	16,972	98	(35,031)	53,133	555	53,688
Loss for the year	-	-	-	-	(20,402)	(20,402)	(363)	(20,765)
Other comprehensive expense:								
Exchange difference arising on translation from functional currency to presentation currency	-	-	-	3,348	-	3,348	21	3,369
Share of exchange difference of an associate	-	-	-	177	-	177	-	177
Total comprehensive income/(expense) for the year	-	-	-	3,525	(20,402)	(16,877)	(342)	(17,219)
<b>As at 31 December 2023</b>	33,712	37,382	16,972	3,623	(55,433)	36,256	213	36,469



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RM'000	2022 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(20,755)	(13,485)
Adjustments for:		
Depreciation of property, plant and equipment	1,698	2,342
Depreciation of right-of-use assets	1,173	1,110
Loss/(gain) on disposal of property, plant and equipment and right-of-use assets	58	(4,324)
Gain on termination of lease	–	(56)
Gain on remeasurement and modification of lease	–	(11)
Fair value changes on financial assets at fair value through profit or loss	1,570	1,322
Net (reversal)/provision of impairment losses on trade and other receivables	(1,259)	7,196
Impairment losses on property, plant and equipment	6,137	–
Impairment losses on right-of-use assets	2,409	–
Impairment losses on goodwill	1,019	–
Gain on deemed disposal of interest in an associate	(3,408)	–
Share of results from an associate	(165)	702
Interest income	(863)	(239)
Finance costs	508	761
<b>Operating cash flows before movements in working capital</b>	<b>(11,878)</b>	<b>(4,682)</b>
Decrease/(increase) in trade and other receivables	9,129	(9,745)
(Decrease)/increase in trade and other payables	(6,496)	6,333
Decrease/(increase) in inventories	2,346	(2,357)
Decrease in contract liabilities	(160)	(93)
<b>Cash used in operations</b>	<b>(7,059)</b>	<b>(10,544)</b>
Interest paid	(36)	(67)
Income taxes refund/(paid)	624	(661)
<b>Net cash used in operating activities</b>	<b>(6,471)</b>	<b>(11,272)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(2,209)	(1,001)
Capital injection to an associate	–	(842)
Purchase of unlisted equity investment	–	(4,227)
Interest received	863	239
Proceeds from disposal of property, plant and equipment and right-of-use assets	589	16,950
<b>Net cash (used in)/generated from investing activities</b>	<b>(757)</b>	<b>11,119</b>





## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2023

	<i>Notes</i>	2023 RM'000	2022 RM'000
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities		(1,551)	(916)
Raise of new loans		2,335	6,494
Repayment of bank borrowings		(2,198)	(15,714)
Interest paid		(472)	(693)
<b>Net cash used in financing activities</b>		<b>(1,886)</b>	<b>(10,829)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(9,114)</b>	<b>(10,982)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>26,778</b>	<b>37,440</b>
<b>Effect of foreign exchange rate changes</b>		<b>2,881</b>	<b>320</b>
<b>Cash and cash equivalents at end of year</b>		<b>20,545</b>	<b>26,778</b>
<b>Represented by:</b>			
Cash and bank balances	<i>21</i>	21,681	27,583
Bank overdrafts	<i>25</i>	(1,136)	(805)
		<b>20,545</b>	<b>26,778</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. GENERAL INFORMATION

Worldgate Global Logistics Ltd (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 6 July 2016.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong, Malaysia and Vietnam are located at Unit 5D, Hang Cheong Factory Building, No. 1, Wing Ming Street, Kowloon, Hong Kong, No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia and Lot 6, Dien Nam – Dien Ngoc Industrial Zone, Dien Ngoc Ward, Dien Ban Township, Quang Nam Province, Vietnam, respectively.

The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company, collectively referred to as the “Group”) are set out in note 35.

The functional currency of the Company is Hong Kong dollar (“HK\$”), while the consolidated financial statements are presented in Malaysian Ringgit (“RM”), which is the functional currency of some of the Company’s major subsidiaries. The directors consider that it is more appropriate to adopt RM as the Group’s and the Company’s presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

The directors anticipate that the application of all new and amendments to HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

#### 3.1 Material accounting policy information

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

#### 3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, with limited exceptions.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

#### 3.5 Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.6 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Freehold land	N/A
Buildings	25–50 years
Motor vehicles	5 years
Leasehold improvements	5–10 years
Computers	3–5 years
Furniture, fixtures and equipment	10 years
Plant and machinery	5–13 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.7 Leases

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *The Group as a lessee*

###### **Short-term leases**

The Group applies the short-term lease recognition exemption to leases of office premises and machinery that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

###### **Right-of-use assets**

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.7 Leases (Continued)

##### *The Group as a lessee (Continued)*

##### **Right-of-use assets (Continued)**

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### **Lease liabilities**

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.8 Impairment of property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Financial assets*

##### **Classification and subsequent measurement of financial assets**

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.9 Financial instruments (Continued)

##### *Financial assets (Continued)*

##### **Amortised cost and interest income**

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

##### **Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and other net gain" line item.

##### **Impairment of financial assets subject to impairment assessment under HKFRS 9**

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.9 Financial instruments (Continued)

##### *Financial assets (Continued)*

##### **Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)**

##### *(i) Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.9 Financial instruments (Continued)

##### *Financial assets (Continued)*

##### **Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)**

##### *(ii) Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### *(iv) Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.9 Financial instruments (Continued)

##### *Financial assets (Continued)*

##### **Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)**

##### **(v) Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

##### **Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.9 Financial instruments (Continued)

##### *Financial liabilities and equity*

##### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the 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 asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

##### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### **Financial liabilities at amortised cost**

Financial liabilities including trade and other payables, bank borrowings and overdrafts are subsequently measured at amortised cost, using the effective interest method.

##### **Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments.

##### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.11 Revenue from contracts with customers

The Group recognises revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

#### ***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

##### **Output method**

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group’s performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.11 Revenue from contracts with customers (Continued)

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group considered itself as the principal in the contracts with customers as it controls the good or service before the service is transferred to a customer.

#### 3.12 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RM) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

#### 3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.14 Employee benefits

(i) **Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(ii) **Termination benefits**

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

#### **Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

#### 3.15 Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.15 Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, interest in an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest, are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### 3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### 3.17 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income" and other net gain and loss.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### 3.18 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Provision of ECL for trade receivables

The Group uses practical expedient in estimating ECL on trade receivables. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without under costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

##### *Estimated impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

During the year ended 31 December 2023, an impairment of RM6,137,000 (2022: Nil) and RM2,409,000 (2022: Nil) was recognised for property, plant and equipment and right-of-use assets respectively.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2023, the carrying amount of goodwill is nil (2022: RM977,000). Impairment of RM1,019,000 (2022: Nil) was recognised for the year ended 31 December 2023. Details of the recoverable amount calculation are disclosed in note 16.

##### *Estimated impairment of associate*

As at 31 December 2023 and 2022, in view of the associate resulted in loss for the years, the Group performed impairment assessment on an associate. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The calculation based on trading multiples derived from publicly traded companies that are similar to the subject company.

As at 31 December 2023, the carrying amount of the associate amounted to RM7,096,000 (2022: RM3,346,000) and no impairment loss recognised during the year (2022: Nil).





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 5. REVENUE

#### (a) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2023 RM'000	2022 RM'000
<b>Types of goods and services</b>		
<i>Recognised on over time basis:</i>		
Air freight forwarding and related services	8,461	27,625
Sea freight forwarding and related services	16,688	27,909
Trucking and warehouse and related services	1,287	1,818
	<b>26,436</b>	57,352
<i>Recognised on a point in time basis:</i>		
Manufacturing and sale of plastic products	22,145	25,737
Trading of used mobile phones	67,770	51,506
	<b>89,915</b>	77,243
<b>Revenue from contracts with customers</b>	<b>116,351</b>	134,595



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 5. REVENUE (Continued)

#### (b) Performance obligations for contracts with customers

##### *Freight forwarding and related services*

The freight forwarding and related services income is recognised on over time basis as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group recognises the service fee receivable based on an output method. There is generally only one performance obligation. Invoices are issued when service is provided and the range of credit term granting to customers is 30 to 60 days.

##### *Trucking and warehouse and related services*

The Group provides trucking and warehouse and related services to customers. Revenue is recognised on over time basis as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. There is generally only one performance obligation. Invoices are issued when service is provided and the range of credit term granting to customers is 30 to 60 days.

##### *Trading of used mobile phones*

Sales are recognised on a point in time basis when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion right to direct the goods and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and generally the customer has accepted the products in accordance with the sales contract. Invoices are issued when goods is delivered and the credit term of 30 days is granted to the customers.

##### *Manufacturing and sale of plastic products*

The Group manufactures and sales the plastic products to external customers directly. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the designated location. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Invoices are issued when goods is delivered and the credit term of 30–60 days is granted to the customers.

#### (c) Transaction allocated to the remaining performance obligation for contracts with customers

All sales contracts entered into by the Group have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligation for these contracts is not disclosed.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 6. OPERATING SEGMENTS

The Group manages its businesses by business lines in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), being the executive directors of the Company, for the purposes of resource allocation and performance assessment.

The Group has three (2022: three) reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The Group's reportable and operating segments are as follows:

- Freight forwarding and related services
- Trading of used mobile phones
- Manufacturing and sale of plastic products

The freight forwarding services, manufacturing and trading business are designated by the CODM as principal activities of the Group and they are separately reviewed and evaluated for management reporting purpose.

No operating segments have been aggregated to form the reportable segments.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is measure of adjusted loss before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation, but share of results of an associate and fair value changes on financial assets at FVTPL, gain on deemed disposal of interest in an associate and unallocated corporate expenses, being central administrative costs, are excluded from such measurement.

Segment assets include all current and non-current assets with the exception of financial assets at FVTPL, interest in an associate and unallocated corporate assets. Segment liabilities include all current and non-current liabilities with the exception of unallocated corporate liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 6. OPERATING SEGMENTS (Continued)

#### (a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Year ended 31 December							
	Freight forwarding and related services		Trading of used mobile phones		Manufacturing and sale of plastic products		Total	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from external customers	26,436	57,352	67,770	51,506	22,145	25,737	116,351	134,595
Reportable segment loss	(7,057)	(4,570)	(5,758)	(3,665)	(6,299)	(1,093)	(19,114)	(9,328)
Other information: <i>Amounts included in the measure of segment profit or loss:</i>								
Interest income	208	178	-	1	-	-	208	179
Finance costs	(276)	(569)	-	-	(232)	(192)	(508)	(761)
Depreciation of property, plant and equipment	(270)	(1,559)	(532)	-	(896)	(783)	(1,698)	(2,342)
Depreciation of right-of-use assets	(1,161)	(1,097)	-	-	(12)	(13)	(1,173)	(1,110)
(Loss)/gain on disposal of property, plant and equipment	(58)	4,324	-	-	-	-	(58)	4,324
Net reversal/(provision) of impairment losses on trade and other receivables	1,135	(4,590)	(284)	(1,610)	408	(582)	1,259	(6,782)
Impairment losses on property, plant and equipment	(1,069)	-	(814)	-	(4,254)	-	(6,137)	-
Impairment losses on right-of-use assets	(2,116)	-	-	-	(293)	-	(2,409)	-
Impairment losses on goodwill	-	-	-	-	(1,019)	-	(1,019)	-
Income tax expense	(10)	(22)	-	-	-	-	(10)	(22)
Reportable segment assets	16,375	28,387	5,060	8,388	10,987	16,481	32,422	53,256
<i>Amounts included in the measure of segment assets:</i>								
Additions to non-current assets:								
- Property, plant and equipment	243	624	679	-	1,233	377	2,155	1,001
- Right-of-use assets	29	2,145	-	-	-	-	29	2,145
	272	2,769	679	-	1,233	377	2,184	3,146
Reportable segment liabilities	(6,598)	(9,741)	(281)	(2,815)	(13,620)	(15,392)	(20,499)	(27,948)





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 6. OPERATING SEGMENTS (Continued)

#### (a) Segment revenues and results (Continued)

No inter-segment revenue was noted during the year ended 31 December 2023 and 2022.

Reconciliations of reportable segment profit or loss and segment assets and liabilities are as follows:

	Year ended 31 December	
	2023 RM'000	2022 RM'000
<b>Segment profit or loss</b>		
Reportable segment loss	(19,114)	(9,328)
Unallocated amounts:		
Fair value changes on financial assets at FVTPL	(1,570)	(1,322)
Share of results of an associate	165	(702)
Gain on deemed disposal of an associate	3,408	–
Unallocated corporate expenses, net	(3,644)	(2,133)
Loss before taxation	(20,755)	(13,485)
<b>Segment assets</b>		
Total assets of reportable segments	32,422	53,256
Financial assets at FVTPL	2,477	3,902
Interest in an associate	7,096	3,346
Unallocated corporate assets	16,480	21,772
Consolidated total assets	58,475	82,276
<b>Segment liabilities</b>		
Total liabilities of reportable segments	(20,499)	(27,948)
Unallocated corporate liabilities	(1,507)	(640)
Consolidated total liabilities	(22,006)	(28,588)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**6. OPERATING SEGMENTS (Continued)****(b) Geographic information**

Information about the Group's revenue from external customers is presented based on the location of the operation of subsidiaries that earned the revenue. For revenue from cross-border logistic services, it is presented based on the location where the contract is negotiated and effected.

The following table provides an analysis of the Group's revenue from external customers and non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia (place of domicile)	26,373	55,784	2,331	6,975
Vietnam	22,145	25,737	–	4,100
The People's Republic of China ("PRC"), including Hong Kong	67,833	53,074	–	588
<b>Total</b>	<b>116,351</b>	<b>134,595</b>	<b>2,331</b>	<b>11,663</b>

Note: Non-current assets exclude interest in an associate, goodwill and financial assets at FVTPL.

**(c) Information about major customers**

Revenue from customer during the year contributing over 10% of the total revenue of the Group is as follows:

	2023 RM'000	2022 RM'000
Customer A <sup>1</sup>	40,458	18,683

<sup>1</sup> Revenue relating to trading of used mobile phones.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 7. OTHER INCOME AND OTHER NET GAIN AND LOSS

	Year ended 31 December	
	2023 RM'000	2022 RM'000
<b>Other income</b>		
Bank interest income	863	239
Government grant	–	168
Rental income	74	58
Others	101	75
(Loss)/Gain on disposal of property, plant and equipment and right-of-use assets	(58)	4,324
Gain on deemed disposal of an associate	3,408	–
<b>Other net gain and loss</b>		
Exchange difference, net	(1,107)	620
Gain on termination of lease	–	56
Gain on reassessment and modification of lease	–	11
Insurance claim and compensation	8	359
Sale of scrapped products and samples, net	48	(33)
Impairment loss on property, plant and equipment	(6,137)	–
Impairment loss on right-of-use assets	(2,409)	–
Impairment loss on goodwill	(1,019)	–
	(6,228)	5,877

### 8. FINANCE COSTS

	Year ended 31 December	
	2023 RM'000	2022 RM'000
Interest on bank overdrafts	36	68
Interest on bank borrowings	259	558
Interest on lease liabilities	213	135
	508	761



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**9. INCOME TAX EXPENSE/(CREDIT)**

	Year ended 31 December	
	2023 RM'000	2022 RM'000
Current income tax		
– Malaysia	9	14
Under provision in prior years:		
– Malaysia income tax	1	8
Deferred tax credit ( <i>note 24</i> )	–	(418)
Income tax expense/(credit)	10	(396)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profit for both years.

Malaysia income tax is calculated at the statutory rate of 24% (2022: 24%) of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 17% (2022: 17%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2022: 24%).

Vietnam income tax is calculated at the statutory rate of 20% (2022: 20%) of the estimated taxable profits for the year. No provision for Vietnam income tax has been made as the Group did not generate assessable profits for the year ended 31 December 2023 and 2022.

No provision for Hong Kong Profits tax has been made as the Group did not generate assessable profits for the years ended 31 December 2023 and 2022.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 9. INCOME TAX EXPENSE/(CREDIT) (Continued)

Reconciliation between income tax expense/(credit) and accounting loss at applicable tax rates is as follows:

	Year ended 31 December	
	2023 RM'000	2022 RM'000
Loss before taxation	(20,755)	(13,485)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the countries concerned	(4,143)	(2,333)
Tax effect of non-deductible expenses	2,008	2,208
Tax effect of non-taxable income	(636)	(453)
Tax effect on tax loss not recognised	2,537	476
Tax effect of share of result of an associate	(27)	116
Tax effect of deductible temporary differences not recognised	270	(418)
Under-provision in prior years	1	8
Income tax expense/(credit)	10	(396)

### 10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December	
	2023 RM'000	2022 RM'000
Auditor's remuneration	397	389
Depreciation of property, plant and equipment	1,698	2,342
Depreciation of right-of-use assets	1,173	1,110
Expense on short-term lease	180	137
Costs of inventories purchased for resale	61,760	45,308
Costs of materials consumed	17,292	19,193
Staff costs (including directors' remuneration)		
– Wages, fee, salaries and discretionary bonus	14,020	12,367
– Welfare and other benefits	1,674	374
– Contributions to defined contribution plans	939	985
	16,633	13,726



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

#### (a) Directors' and chief executive officers' emoluments

The remuneration of every director and the chief executive for the year is set out below:

	Fee RM'000	Salaries and other benefits RM'000	Contributions to defined contribution plans RM'000	Total RM'000
<b>Year ended 31 December 2023</b>				
<i>Executive directors:</i>				
Lai Kwok Hei	437	–	10	447
Chan Kin Ho Philip ( <i>Chief executive</i> )	105	–	5	110
<i>Independent non-executive directors:</i>				
Wong Hoi Yan, Audrey	105	–	–	105
Ma Kin Hung	105	–	–	105
Cheung Choi Hung ( <i>note a</i> )	57	–	–	57
Wong Siu Keung Joe ( <i>note b</i> )	48	–	–	48
	<b>857</b>	<b>–</b>	<b>15</b>	<b>872</b>
<b>Year ended 31 December 2022</b>				
<i>Executive directors:</i>				
Lai Kwok Hei	477	–	10	487
Chan Kin Ho Philip ( <i>Chief executive</i> )	101	–	5	106
<i>Independent non-executive directors:</i>				
Wong Siu Keung Joe ( <i>note b</i> )	101	–	–	101
Wong Hoi Yan, Audrey	101	–	–	101
Ma Kin Hung	101	–	–	101
	<b>881</b>	<b>–</b>	<b>15</b>	<b>896</b>

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

*Note a:* Ms. Cheung Choi Hung was appointed as independent non-executive director of the Company on 16 June 2023.

*Note b:* Mr. Wong Siu Keung Joe resigned as independent non-executive director of the Company on 16 June 2023.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

#### (a) Directors' and chief executive's emoluments (Continued)

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company (including any person who at any time during the year was a director) or the director's connected entity has a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year (2022: nil).

#### (b) Five highest paid employees

The five highest-paid employees of the Group during the year included one (2022: one) director, whose remunerations are reflected in the analysis presented above. The remunerations of remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company for the year are set out below:

	Year ended 31 December	
	2023 RM'000	2022 RM'000
Wages and salaries	1,540	1,910
Discretionary bonus	–	1,944
Contributions to defined contribution plans	133	129
	<b>1,673</b>	<b>3,983</b>

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	2023 Number of employees	2022 Number of employees
Nil to RM561,000 (equivalent to approximately HK\$1,000,000)	3	2
RM561,001–RM841,500 (equivalent to approximately HK\$1,000,001–HK\$1,500,000)	1	1
RM841,501–RM1,122,000 (equivalent to approximately HK\$1,500,001–HK\$2,000,000)	–	1
	<b>4</b>	<b>4</b>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: nil).

No remuneration was paid by the Group to the directors or chief executive or any of the five highest paid employees as an inducement to join or upon joining the Group, or compensation for loss of office during the year (2022: nil).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**12. DIVIDENDS**

The board of directors does not recommend payment of any dividend for the year ended 31 December 2023 (2022: nil).

**13. LOSS PER SHARE**

	Year ended 31 December	
	2023	2022
	RM'000	RM'000
Loss for the year attributable to the owners of the Company	(20,402)	(12,551)

**Number of shares**

	Year ended 31 December	
	2023	2022
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	633,600,000	633,600,000

No adjustment is made in arriving at diluted loss per share for both 2023 and 2022 as there were no potential ordinary shares in issue for both 2023 and 2022.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computers RM'000	Furniture, fixtures and equipment RM'000	Plant and machinery RM'000	Total RM'000
<i>Cost:</i>								
As at 1 January 2022	1,227	11,231	6,787	6,436	4,458	2,077	4,610	36,826
Additions	-	-	370	89	76	89	377	1,001
Disposals	-	(8,750)	-	(5,135)	-	(616)	-	(14,501)
Exchange realignment	-	12	-	-	122	36	212	382
<b>As at 31 December 2022 and 1 January 2023</b>	<b>1,227</b>	<b>2,493</b>	<b>7,157</b>	<b>1,390</b>	<b>4,656</b>	<b>1,586</b>	<b>5,199</b>	<b>23,708</b>
Additions	-	-	-	682	31	263	1,233	2,209
Disposals	-	(662)	-	-	-	(20)	-	(682)
Exchange realignment	-	10	-	6	103	29	182	330
<b>As at 31 December 2023</b>	<b>1,227</b>	<b>1,841</b>	<b>7,157</b>	<b>2,078</b>	<b>4,790</b>	<b>1,858</b>	<b>6,614</b>	<b>25,565</b>
<i>Accumulated depreciation:</i>								
As at 1 January 2022	-	2,206	6,787	3,923	3,006	1,386	810	18,118
Depreciation	-	188	26	387	869	159	713	2,342
Written back on disposals	-	(1,567)	-	(3,209)	-	(352)	-	(5,128)
Exchange realignment	-	7	-	-	58	34	134	233
<b>As at 31 December 2022 and 1 January 2023</b>	<b>-</b>	<b>834</b>	<b>6,813</b>	<b>1,101</b>	<b>3,933</b>	<b>1,227</b>	<b>1,657</b>	<b>15,565</b>
Charge for the year	-	50	74	46	577	116	835	1,698
Written back on disposals	-	(24)	-	-	-	(11)	-	(35)
Impairment	-	193	270	931	199	496	4,048	6,137
Exchange realignment	-	4	-	-	81	30	74	189
<b>As at 31 December 2023</b>	<b>-</b>	<b>1,057</b>	<b>7,157</b>	<b>2,078</b>	<b>4,790</b>	<b>1,858</b>	<b>6,614</b>	<b>23,554</b>
<i>Carrying amounts:</i>								
<b>As at 31 December 2023</b>	<b>1,227</b>	<b>784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,011</b>
As at 31 December 2022	1,227	1,659	344	289	723	359	3,542	8,143



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2023 and 2022, freehold land and buildings included in property, plant and equipment are all situated in Malaysia and Vietnam.

As at 31 December 2023, the Group's freehold land, buildings and plant and machinery with carrying amount before impairment of RM910,000 (2022: RM910,000), RM490,000 (2022: RM514,000) and RM2,763,000 (2022: RM1,523,000) respectively, were pledged to secure the bank borrowings granted to the Group by licensed banks (note 25).

As the Group incurred net loss in the cash generating unit of freight forwarding and related services segment ("CGU 1"), and manufacturing and sale of plastic products segment ("CGU 2") and trading of used mobile phones segment ("CGU 3") during the year ended 31 December 2023 and 2022, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment, right-of-use assets and goodwill with carrying amounts before impairment of RM8,148,000 (2022: RM8,143,000), RM2,729,000 (2022: RM3,520,000) and RM1,019,000 (2022: RM977,000) respectively, after taking into account the impairment losses of RM6,137,000 (2022: Nil), RM2,409,000 (2022: Nil) and RM1,019,000 (2022: Nil) respectively. The recoverable amount of freehold land and buildings of property, plant and equipment with carrying amounts before impairment of RM2,011,000 (2022: RM2,665,000) and related leaseholds land of right-of-use assets with carrying amounts before impairment of RM320,000 (2022: RM328,000), within the CGU 1 segment is estimated individually.

During the year ended 31 December 2023 and 2022, the recoverable amount of CGU 1 and CGU 2 has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 9% (2022: 11%) and 18% (2022: 17%) respectively as at 31 December 2023. The annual growth rate used is 2% (2022: 3%) and 3% (2022: 3%) respectively.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU 1 and CGU 2 is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment, right-of-use assets and goodwill, such that the carrying amount of each category of asset is not reduced to below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment loss of RM1,069,000 (2022: Nil) and RM4,254,000 (2022: Nil) has been recognised against the carrying amount of property, plant and equipment for CGU 1 and CGU 2 respectively.

In the opinion of the management of the Group, an impairment of RM814,000 was fully recognised of the property, plant and equipment for CGU 3 in profit or loss for the year ended 31 December 2023.

The carrying amount of the freehold land and buildings of property, plant and equipment and related leaseholds land of right-of-use assets for CGU 1 has not been reduced since the fair value less cost of disposal is higher than the carrying amount. The owned properties were measured at fair value based on Level 3 hierarchy using market approach based on the recent transaction prices for similar property, plant and equipment adjusted for their nature, location and conditions. The Market unit rate used is range from RM306 to RM837 (2022: ranged from RM364 to RM1,044) per square feet, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 15. RIGHT-OF-USE ASSETS

	Leasehold lands RM'000	Leased properties RM'000	Motor vehicles RM'000	Total RM'000
<b>At 31 December 2023</b>				
Carrying amount	320	–	–	320
<b>At 31 December 2022</b>				
Carrying amount	626	2,792	102	3,520
<b>For the year ended 31 December 2023</b>				
Depreciation charge	21	1,076	76	1,173
<b>For the year ended 31 December 2022</b>				
Depreciation charge	75	584	451	1,110

Note: As at 31 December 2023 and 2022, no leasehold land was pledged to secure the bank borrowings granted to the Group by a licensed bank (note 25).

	Year ended 31 December	
	2023 RM'000	2022 RM'000
Expense relating to short-term leases	180	137
Total cash outflow for leases (including short term leases)	1,944	1,188
Additions to right-of-use assets	29	2,145
Impairment loss	2,409	–

The Group is the registered owner of the buildings as stated in note 14, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

The leasehold lands upon which certain buildings of the Group are situated in Malaysia and Vietnam and held under leases with remaining lease term of more than 50 years for the leasehold land in Malaysia and remaining lease term of more than 20 years for the leasehold land in Vietnam.

For both years, the Group leases various office premises and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1 to 4 years (2022: 1 to 4 years) for office premises and 2 to 5 years (2022: 2 to 5 years) for motor vehicles. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office premises and machinery.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 15. RIGHT-OF-USE ASSETS (Continued)

As the Group incurred net loss in CGU 1, CGU 2 and CGU 3 during the ended 31 December 2023 and 2022, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment, right-of-use assets and goodwill with carrying amounts before impairment of RM8,148,000 (2022: RM8,143,000), RM2,729,000 (2022: RM3,520,000) and RM1,019,000 (2022: RM977,000) respectively, after taking into account the impairment losses of RM6,137,000 (2022: Nil), RM2,409,000 (2022: Nil) and RM1,019,000 (2022: Nil) respectively. The recoverable amount of freehold land and buildings of property, plant and equipment with carrying amounts before impairment of RM2,011,000 (2022: RM2,665,000) and related leaseholds land of right-of-use assets with carrying amounts before impairment of RM320,000 (2022: RM328,000), within the CGU 1 segment is estimated individually.

During the year ended 31 December 2023, the recoverable amount of CGU 1 and CGU 2 has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 9% (2022: 11%) and 18% (2022: 17%) respectively as at 31 December 2023. The annual growth rate used is 2% (2022: 3%) and 3% (2022: 3%) respectively.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU 1 and CGU 2 is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment, right-of-use assets and goodwill, such that the carrying amount of each category of asset is not reduced to below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment loss of RM2,116,000 (2022: Nil) and RM293,000 (2022: Nil) has been recognised against the carrying amount of right-of-use assets for CGU 1 and CGU 2 respectively.

The carrying amount of the freehold land and buildings of property, plant and equipment and related leaseholds land of right-of-use assets for CGU 1 has not been reduced since the fair value less cost of disposal is higher than the carrying amount. The owned properties were measured at fair value based on Level 3 hierarchy using market approach based on the recent transaction prices for similar property, plant and equipment adjusted for their nature, location and conditions. The Market unit rate used is range from RM306 to RM837 (2022: ranged from RM364 to RM1,044) per square feet, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 16. GOODWILL

	2023 RM'000	2022 RM'000
Cost:		
At 1 January	977	926
Exchange realignment	42	51
At 31 December	1,019	977
Accumulated impairment losses:		
At 1 January	–	–
Impairment loss recognised for the year	1,019	–
At 31 December	1,019	–
Net carrying amount:		
At 31 December	–	977

#### Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's CGU 3 identified according to Vietnam company's operation and operating segment, and the carrying amount is as follows:

	2023 RM'000	2022 RM'000
Manufacturing and trading of plastic products	–	977

As the Group incurred net loss in CGU 1, CGU 2 and CGU 3 during the ended 31 December 2023 and 2022, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment, right-of-use assets and goodwill with carrying amounts before impairment of RM8,148,000 (2022: RM8,143,000), RM2,729,000 (2022: RM3,520,000) and RM1,019,000 (2022: RM977,000) respectively, after taking into account the impairment losses of RM6,137,000 (2022: Nil), RM2,409,000 (2022: Nil) and RM1,019,000 (2022: Nil) respectively.

During the year ended 31 December 2023, the recoverable amount of CGU 2 has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 18% (2022: 17%) as at 31 December 2023. The annual growth rate used is 3% (2022: 3%).

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU 2 is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment, right-of-use assets and goodwill, such that the carrying amount of each category of asset is not reduced to below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment loss of RM1,019,000 (2022: Nil) has been recognised against the carrying amount of goodwill for CGU 2.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 17. INTEREST IN AN ASSOCIATE

	2023 RM'000	2022 RM'000
Cost of investment in an associate ( <i>note (i), (ii), (iii)</i> )	7,119	4,688
Share of post-acquisition loss and other comprehensive expense	(84)	(1,507)
Exchange adjustments	61	165
	<b>7,096</b>	<b>3,346</b>

Detail of the Group's associate at the end of the reporting period is as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group				Proportion of voting rights held by the Group				Principal activity
			2023		2022		2023		2022		
			Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Active Ideal Holdings Limited ("Active Ideal")	BVI	BVI	33.00%	-	-	-	33.00%	-	-	-	Investment Holding
Grand Moore Capital Limited ("Grand Moore") ( <i>Note (iii) &amp; (iv)</i> )	Hong Kong	Hong Kong	-	16.50%	33.33%	-	-	16.50%	33.33%	-	Engaged in the business of securities dealing, corporate finance advisory services and custodian services
Glam Capital Limited ("GLAM")	Hong Kong	Hong Kong	-	16.50%	-	-	-	16.50%	-	-	Engaged in the business of securities brokerage services, placing and underwriting services, advisory services; asset management services and introduction services.

**Notes:**

- (i) During the year, a reorganisation was undertaken by combing Grand Moore and GLAM to gain synergy for strengths, network and clientele to establish an integrated platform for providing full financial services to the customers.

GLAM is a corporation licensed by the Securities and Futures Commission of Hong Kong to carry on Type 1, Type 4 and Type 9 regulated activities under the Securities and Futures Ordinance. GLAM has been focusing on securities dealing, investment advisory and asset management business since 2018 while Grand Moore has been focusing on corporate finance, financial advisory and placing and underwriting business since 2016.

Before the reorganisation, Grand Moore, of which 33.33% equity interest is held by the Group as an associate. Under the reorganisation, 100% equity interest of both Grand Moore and GLAM are being held by GLAM Capital Group Company Limited ("GLAM Capital Group") as the wholly owned subsidiaries of GLAM Capital Group, while 50% equity interest of GLAM Capital Group are allotted to Active Idea of which the Group directly held 33% equity interest as consideration.

The reorganisation was completed on 30 June 2023 and has resulted in the recognition of a gain on deemed disposal of interest in an associate of RM3,408,000 in profit or loss during the year.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 17. INTEREST IN AN ASSOCIATE (Continued)

Notes: (Continued)

- (ii) During the year ended 31 December 2023, the Group has 33% ownership interest and voting rights in Active Ideal. By considering that the shareholding of the Group and the Group has no sufficiently dominant voting rights to direct the relevant activities of Active Ideal unilaterally, the directors of the Company conclude that the Group only has significant influence over Active Ideal and therefore it is classified as an associate of the Group.
- (iii) During the year ended 31 December 2022, the balance included a capital injection of HK\$1,500,000 (equivalent to RM842,000) by cash which is pro-rata to the shareholding in associate.
- (iv) As at 31 December 2022, the Group had 33.33% ownership interest and voting rights in Grand Moore. By considering that the shareholding of the Group and the Group had no sufficiently voting rights to direct the relevant activities of Grand Moore unilaterally, the directors of the Company concluded that the Group only had significant influence over Grand Moore and therefore it was classified as an associate of the Group as at 31 December 2022.

#### Summarised financial information of an associate

Summarised financial information in respect of Active Ideal and Grand Moore is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

#### Active Ideal Holdings Limited

	As at 31 December	
	2023 RM'000	2022 RM'000
Current assets	1,941	N/A
Non-current assets	19,561	N/A
Current liabilities	–	N/A
Non-current liabilities	–	N/A



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**17. INTEREST IN AN ASSOCIATE (Continued)****Summarised financial information of an associate (Continued)****Active Ideal Holdings Limited (Continued)**

	Period from 1 July 2023 to 31 December 2023 RM'000	Year ended 31 December 2022 RM'000
Revenue	–	N/A
Loss for the year	(254)	N/A
Other comprehensive income for the year	186	N/A
Total comprehensive expense for the year	(68)	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest an associate recognised in the consolidated financial statements:

	2023 RM'000	2022 RM'000
Net assets value	21,502	N/A
Proportion of the Group's ownership interest	33.00%	N/A
The Group's share of net assets	7,096	N/A
Carrying amount of the Group's interest	7,096	N/A

**18. INVENTORIES**

	2023 RM'000	2022 RM'000
Raw materials	1,769	2,792
Finished goods		
– Plastic products	2,666	3,117
– Used mobile phones	485	1,073
	4,920	6,982

The carrying amounts of finished goods included trading goods held for resale of RM485,000 (2022: RM1,073,000).





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 19. TRADE AND OTHER RECEIVABLES

	2023 RM'000	2022 RM'000
Trade receivables arising from contract with customers	20,816	23,996
Less: Allowance for credit losses	<b>(6,798)</b>	(7,782)
	<b>14,018</b>	16,214
Prepayments and deposits	<b>1,856</b>	1,294
Other receivables (note (i))	<b>3,945</b>	9,523
Total trade and other receivables	<b>19,819</b>	27,031

Note:

- (i) Included in other receivables an amount of RM5,195,000 that was a consideration receivable from disposal of property, plant and equipment and right-of-use assets as at 31 December 2022. The amount was fully settled during the year ended 31 December 2023.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The average credit period granted to trade debtors ranging from 30–60 days from the invoice date.

The following is an ageing analysis of the gross carrying amount of trade receivables presented based on the invoice date is as follows:

	2023 RM'000	2022 RM'000
Within 1 month	9,637	5,880
1 to 2 months	1,830	3,996
2 to 3 months	565	1,641
Over 3 months	8,784	12,479
	<b>20,816</b>	23,996

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate gross carrying amounts of approximately RM16,229,000 (2022: RM18,101,000) which are past due at the end of the reporting period. Details of impairment assessment of trade receivables are set out in note 32(b).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2023 RM'000	2022 RM'000
Financial assets designated at FVTPL:		
Equity securities listed in Bursa Malaysia Berhad	306	283
Unlisted equity investment (note (i))	2,171	3,619
	<b>2,477</b>	<b>3,902</b>
Current portion	306	283
Non-current portion	2,171	3,619
	<b>2,477</b>	<b>3,902</b>

Note:

- (i) The unlisted equity investment represented the Group's 5% equity interest in a private entity established in the PRC and the Group does not intend to disposal of it within twelve months from the end of the reporting period. The unlisted equity investment is principally engaged in development and marketing of visual technology software products and provision of related consulting services.

**21. CASH AND BANK BALANCES**

Cash and bank balances comprise bank balances and cash held by the Group and short-term bank deposits placed in banks with an original maturity within three months.

Bank balances carry interest at market rates which range from 0% to 0.1% (2022: 0% to 0.1%) per annum.

As at 31 December 2023, the Group had bank balances and cash denominated in RM that were either not freely convertible or were subject to exchange controls in the Malaysia, amounting to approximately RM7,256,000 (2022: RM6,383,000).

Details of impairment assessment of bank balances are set out in note 32(b).





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 22. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables of the Group based on the invoice date are as follows:

	2023 RM'000	2022 RM'000
Within 1 month	3,921	6,145
1 to 2 months	2,144	2,138
2 to 3 months	478	1,409
More than 3 months but less than 12 months	5,299	7,864
	<b>11,842</b>	17,556
Accruals	1,651	2,188
Other payables	1,244	830
Total trade and other payables	<b>14,737</b>	20,574

Trade and other payables are non-interest bearing. The Group is normally granted credit terms ranging from 0 to 30 days from the invoice date.

### 23. CONTRACT LIABILITIES

	2023 RM'000	2022 RM'000
Manufacturing and trading of plastic products	46	199
	46	199

As at 1 January 2022, contract liabilities amounted to RM300,000.

Contract liabilities represented advance deposits received from customers for providing manufacturing and trading of plastic products.

Contract liabilities are classified as current as they are expected to be settled within one year or less.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**24. DEFERRED TAX LIABILITIES**

	Accelerated tax depreciation
As at 1 January 2022	418
Credited to profit or loss for the year ( <i>note 9</i> )	(418)
As at 31 December 2022, 1 January 2023 and 31 December 2023	–

No deferred tax asset has been provided in the consolidated financial statements as there were no material deductible temporary differences as at 31 December 2023 (2022: nil).

**25. BANK BORROWINGS AND OVERDRAFTS**

	2023 RM'000	2022 RM'000
Secured bank borrowings	3,632	3,373
Bank overdrafts	1,136	805
	<b>4,768</b>	4,178
Bank borrowings and overdrafts are scheduled to repay as follows:		
– on demand or within one year	3,876	3,428
– more than one year, but not exceeding two years	230	246
– more than two years, but not exceeding five years	523	265
– after five years	139	239
	<b>4,768</b>	4,178
Less: Amounts due within one year shown under current liabilities	<b>(3,876)</b>	(3,428)
Amounts shown under non-current liabilities	<b>892</b>	750

*Notes:*

- (i) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per annum. The variable interest rates of the Group's bank borrowings as at 31 December 2023 ranged from 4.49% to 13.5% (2022: 4.27% to 12.70%) per annum.
- (ii) The bank borrowings and banking facilities as at 31 December 2023 and 2022 were secured by freehold land, building and plant and equipment, with an aggregate carrying amount before impairment of RM4,163,000 (2022: RM2,947,000) as at 31 December 2023 (*note 14*).
- (iii) As at 31 December 2023, the Group has available unutilised overdrafts and bank loan facilities of approximately RM4,425,393 (2022: RM3,636,000).
- (iv) Bank overdrafts carry interest at market rates of 6.67% (2022: 7.42%).





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 26. LEASE LIABILITIES

	2023 RM'000	2022 RM'000
Within one year	1,301	1,544
Within a period of more than one year but not more than two years	1,019	1,303
Within a period of more than two years but not exceeding five years	116	765
	<b>2,436</b>	3,612
Less: Amounts due for settlement within 12 months shown under current liabilities	<b>(1,301)</b>	(1,544)
Amounts due for settlement after 12 months shown under non-current liabilities	<b>1,135</b>	2,068

The weighted average incremental borrowing rates applied to lease liabilities range from 3.3% to 7.2% (2022: from 3.5% to 7.2%) per annum.

### 27. SHARE CAPITAL

	Number of Shares	Amount HK\$'000	Amount RM'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.1 each as at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,000,000,000	100,000	53,540
<b>Issued and fully paid:</b>			
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	633,600,000	63,360	33,712

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 28. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

#### (i) Share premium

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

#### (ii) Merger reserve

Merger reserve represented the difference between the nominal value of the issued share capital of its subsidiaries acquired by the Company pursuant to certain reorganisation of the Group and the nominal value of the shares issued by the Company in the prior year.

#### (iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations.

#### (iv) Other reserve

Other reserve represents the difference between the nominal value of the Company's shares issued for reorganisation and the net assets value of Worldgate International Investment Limited at the date of acquisition.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 29. SHARE OPTION SCHEME

Pursuant to written resolutions passed by the shareholders of the Company on 17 June 2016, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The Share Option Scheme enables the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 10% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

The Share Option Scheme will be valid and effective for a period of 10 years commencing from 17 June 2016, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

The eligible persons of the Share Option Scheme to whom options may be granted by the directors shall include (i) any directors and any employee; (ii) any consultants or advisers; and (iii) any other person, who at the sole discretion of the board of directors, has contributed to the Group.

The board of directors may, at its absolute discretion, invite any eligible persons to take up options at a price determined by the board of directors which shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; or (iii) nominal value of a share. Upon acceptance of the offer of an option, the grantee shall pay a nominal amount to be determined by the board of directors.

No option has been granted under the Share Option Scheme since its adoption.

### 30. CONTINGENT LIABILITIES

As at 31 December 2023, bank guarantees of RM383,000 (2022: RM379,000) of the Group were issued to suppliers for operational requirements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 31. CAPITAL RISK MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group monitors capital using gearing ratio, which is total debt to equity. Total debts include bank borrowings and overdrafts, and lease liabilities. Equity represents total equity of the Group.

The directors actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and raise new debts or sells assets to reduce debts.

The gearing ratio as the end of reporting period was as follows:

	2023 RM'000	2022 RM'000
Bank borrowings and overdrafts	4,768	4,178
Lease liabilities	2,436	3,612
<b>Total debts</b>	<b>7,204</b>	<b>7,790</b>
<b>Total equity</b>	<b>36,469</b>	<b>53,688</b>
<b>Gearing ratio</b>	<b>19.8%</b>	<b>14.5%</b>

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 32. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2023 RM'000	2022 RM'000
<b>Financial assets at amortised cost:</b>		
Trade and other receivables	17,963	25,737
Cash and bank balances	21,681	27,583
	<b>39,644</b>	<b>53,320</b>
<b>Financial assets at FVTPL</b>	<b>2,477</b>	<b>3,902</b>
	<b>42,121</b>	<b>57,222</b>
<b>Financial liabilities at amortised cost:</b>		
Trade and other payables	14,737	20,574
Bank borrowings and overdrafts	4,768	4,178
	<b>19,505</b>	<b>24,752</b>

The directors consider the carrying amounts of the Group's financial instruments carried at amortised costs are not materially different from their fair values as at 31 December 2023 and 2022.

#### (b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at trade and other receivables, cash and bank balances, financial assets at FVTPL, trade and other payables and bank borrowings and overdrafts. Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements.

The risks associated with these financial instruments include credit risk, liquidity risk and market risk (foreign currency risk and interest rate risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**32. FINANCIAL INSTRUMENTS (Continued)****(b) Financial risk management objectives and policies (Continued)****Market risk****(i) Interest rate risk**

The Group's exposure to fair value interest rate risk relates principally to its bank deposits and bank borrowings and overdrafts. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

The following table details the interest rate profile of the Group's interest-bearing financial instruments:

	2023		2022	
	Weighted average effective interest rate	RM'000	Weighted average effective interest rate	RM'000
Floating rate borrowings	8.42%	2,412	8.13%	1,793

**Sensitivity analysis**

At the end of the reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss before taxation by approximately RM24,000 (2022: RM18,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the relevant periods and had been applied to the exposure to interest rate risk for the interest-bearing borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the next twelve months period.

The interest rate risk policies remain unchanged from prior years.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 32. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### (ii) Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2023 RM'000	2022 RM'000
United States dollar ("US\$")		
Assets:		
Trade receivables	6,999	5,998
Cash and bank balances	12,625	326
	19,624	6,324
Liabilities:		
Trade payables	(8,916)	(9,224)
Borrowings	(2,356)	(2,384)
	8,352	(5,284)

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to foreign currency risk are primarily US\$. The management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

As at 31 December 2023 and 2022, the Group had no foreign currency forward contracts to mitigate the risk on foreign currency fluctuation against RM.

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RM against the US\$. A positive number below indicates an increase in post-tax profit where RM strengthen 5% (2022: 5%) against the US\$. For a 5% (2022: 5%) weakening of RM against the US\$, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

	US\$ impact	
	2023 RM'000	2022 RM'000
Profit or loss	418	(264)

##### Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**32. FINANCIAL INSTRUMENTS (Continued)****(b) Financial risk management objectives and policies (Continued)****Liquidity risk (Continued)**

The following table details the Group's remaining contractual maturities for its financial liabilities as at the reporting date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

As at 31 December 2023

	On demand or within 1 year RM'000	More than 1 year but less than 5 years RM'000	More than 5 years RM'000	Total undiscounted cash flows RM'000	Carrying amount RM'000
Trade and other payables	14,737	–	–	14,737	14,737
Bank borrowings and overdrafts	4,004	863	143	5,010	4,768
Lease liabilities	1,452	1,211	–	2,663	2,436
<b>Total</b>	<b>20,193</b>	<b>2,074</b>	<b>143</b>	<b>22,410</b>	<b>21,941</b>

As at 31 December 2022

	On demand or within 1 year RM'000	More than 1 year but less than 5 years RM'000	More than 5 years RM'000	Total undiscounted cash flows RM'000	Carrying amount RM'000
Trade and other payables	20,574	–	–	20,574	20,574
Bank borrowings and overdrafts	3,664	604	254	4,522	4,178
Lease liabilities	1,616	2,209	–	3,825	3,612
<b>Total</b>	<b>25,854</b>	<b>2,813</b>	<b>254</b>	<b>28,921</b>	<b>28,364</b>

**Credit risk and impairment assessment**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk is primarily attributable to trade and other receivables, and bank balances. The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 32. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### *Credit risk and impairment assessment (Continued)*

##### Trade receivables

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on debtors by using a provision matrix, grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 30 to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Based on individual assessment for major customers and portfolio assessment for other customers by the management of the Group, the management has closely monitored the credit qualities and the collectability of the trade receivables and considered that the expected credit risks of them are close to zero.

As part of the Group's credit risk management, for debtors that are assessed collectively, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the Group's exposure to credit risk for trade receivables which are assessed collectively based on provision matrix:

	Average loss rate		Gross carrying amounts		Loss allowance	
	2023	2022	2023	2022	2023	2022
			RM'000	RM'000	RM'000	RM'000
Current (not past due)	0.58%	1.57%	4,587	5,895	27	93
1-30 days past due	0.41%	6.20%	5,384	3,996	22	248
31-90 days past due	0.13%	20.60%	2,227	1,641	3	338
Over 90 days past due	77.56%	57.00%	8,618	12,464	6,746	7,103
			<b>20,816</b>	23,996	<b>6,798</b>	7,782

The expected loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**32. FINANCIAL INSTRUMENTS (Continued)****(b) Financial risk management objectives and policies (Continued)****Credit risk and impairment assessment (Continued)****Trade receivables (Continued)**

The following table shows the movement of lifetime ECL for trade receivables under the simplified approach:

	Lifetime ECL (not credit- impaired) RM'000
As at 1 January 2022	1,013
Impairment loss recognised	6,690
Exchange adjustments	79
As at 31 December 2022 and 1 January 2023	7,782
Net reversal of impairment loss recognised	(1,259)
Exchange adjustments	275
<b>As at 31 December 2023</b>	<b>6,798</b>

**Concentration of credit risk**

The Group has concentration of credit risk as 3% (2022: 3%) and 21% (2022: 28%) of the total trade receivables which were due from the Group's largest customer and the five largest customers respectively.

**Other receivables and deposits**

The Group uses past due information to assess whether credit risk has increased significantly since initial recognition. Based on the historical default rate, repayment history and forecast of future condition on economy and debtors, the directors considered the ECL for other receivables and deposit is insignificant for the years ended 31 December 2023 and 2022.

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	Stage 2 Lifetime ECL (non-credit impaired) RM'000
At 1 January 2022	–
Impairment loss recognised	506
Exchange adjustments	2
As at 31 December 2022 and 1 January 2023	508
Exchange adjustments	20
<b>As at 31 December 2023</b>	<b>528</b>

**Cash and cash equivalent**

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 December 2023 and 2022 were minimal.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 32. FINANCIAL INSTRUMENTS (Continued)

#### (c) Fair value measurements of financial instruments

The Group's financial instruments are measured at fair value for financial reporting purposes.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities 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.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

#### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

##### Fair value hierarchy as at 31 December 2023

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets at FVTPL</b>				
Listed equity investment	306	–	–	306
Unlisted equity investment	–	–	2,171	2,171

##### Fair value hierarchy as at 31 December 2022

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets at FVTPL</b>				
Listed equity investment	283	–	–	283
Unlisted equity investment	–	–	3,619	3,619



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**32. FINANCIAL INSTRUMENTS (Continued)****(c) Fair value measurements of financial instruments (Continued)****(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)**

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input
	2023 RM'000	2022 RM'000			
Listed equity investment	306	283	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity investment	2,171	3,619	Level 3	Market approach – based on trading multiples, which are prices-to-sales ratio, derived from public traded companies that are similar to the subject company	Recent prices-to-sales ratio of the comparable public companies  Discount for lack of marketability, determined by a number of research studies including restricted stock studies by an independent valuer, of 20.50% (2022: 20.50%).

**(ii) Reconciliation of Level 3 fair value measurements**

	RM'000
As at 1 January 2022	–
Addition	4,227
Total losses:	
– in profit or loss	(605)
Exchange alignment	(3)
As at 31 December 2022 and 1 January 2023	3,619
Total losses:	
– in profit or loss	(1,593)
Exchange alignment	145
<b>As at 31 December 2023</b>	<b>2,171</b>

There were no transfers between Level 1, Level 2 and Level 3 during the years ended 31 December 2023 and 2022.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings <i>(note 25)</i> RM'000	Lease liabilities <i>(note 26)</i> RM'000	Total RM'000
<b>As at 1 January 2022</b>	12,593	1,804	14,397
Raise of new loans	6,494	–	6,494
Repayment of bank borrowings	(15,714)	–	(15,714)
Interest paid on bank borrowings	(558)	–	(558)
Repayment of lease liabilities	–	(916)	(916)
Interest paid on lease liabilities	–	(135)	(135)
<b>Total changes from financing cash flows</b>	<b>2,815</b>	<b>753</b>	<b>3,568</b>
<b>Other changes:</b>			
Addition to lease liabilities	–	2,724	2,724
Interest on bank borrowings	558	–	558
Interest on lease liabilities	–	135	135
<b>Total other changes</b>	<b>558</b>	<b>2,859</b>	<b>3,417</b>
<b>As at 31 December 2022 and 1 January 2023</b>	<b>3,373</b>	<b>3,612</b>	<b>6,985</b>
Raise of new loans	2,335	–	2,335
Repayment of bank borrowings	(2,198)	–	(2,198)
Interest paid on bank borrowings	(259)	–	(259)
Repayment of lease liabilities	–	(1,551)	(1,551)
Interest paid on lease liabilities	–	(213)	(213)
<b>Total changes from financing cash flows</b>	<b>3,251</b>	<b>1,848</b>	<b>5,099</b>
Effect of changes in foreign exchange rates	122	–	122
<b>Other changes:</b>			
Addition to lease liabilities	–	375	375
Interest on bank borrowings	259	–	259
Interest on lease liabilities	–	213	213
<b>Total other changes</b>	<b>259</b>	<b>588</b>	<b>847</b>
<b>As at 31 December 2023</b>	<b>3,632</b>	<b>2,436</b>	<b>6,068</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 34. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

#### Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 11(a), is as follows:

	2023 RM'000	2022 RM'000
Directors' fees	857	881
Discretionary bonus	–	1,944
Wages and salaries	1,540	1,499
Contributions to defined contribution plans	148	134
	<b>2,545</b>	<b>4,458</b>

### 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued paid up/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2023 %	2022 %	2023 %	2022 %	
Worldgate International Investment Limited	British Virgin Islands ("BVI")	Hong Kong	US\$100	100	100	–	–	Investment holding
Pacific Express Limited	BVI	Hong Kong	US\$1,000	–	–	100	100	Investment holding
Worldgate Express Services Sdn. Bhd.	Malaysia	Malaysia	RM5,000,000	–	–	100	100	Freight forwarder and warehouse management service
My Forwarder International Sdn. Bhd.	Malaysia	Malaysia	RM1,000,000	–	–	100	100	Freight forwarder
Freight Transport Network Sdn. Bhd.	Malaysia	Malaysia	RM1,000,000	–	–	100	100	Freight forwarder
Worldgate Haulage Services Sdn. Bhd.	Malaysia	Malaysia	RM5,000,000	–	–	100	100	Provision of trucking and haulage services
Dominant Apex Limited	Hong Kong	Hong Kong	HK\$1	–	–	100	100	Trading of used mobile phones and provision of logistic service
China Elegant Limited	Hong Kong	Hong Kong	HK\$12,181,864	–	–	51	51	Investment holding
Viet Nam Initiation Limited	Vietnam	Vietnam	VND 29,427,184,474	–	–	51	51	Manufacturing and sale of plastic products





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

All these companies were incorporated with limited liability.

None of the subsidiaries had debt securities during the year or outstanding at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation	Place of operation	Proportion of ownership interest and voting rights held by non-controlling interest		Loss allocated to non-controlling interest		Accumulated non-controlling interest	
			2023	2022	2023	2022	2023	2022
			%	%	RM'000	RM'000	RM'000	RM'000
China Elegant Group	Hong Kong/ Vietnam	Hong Kong/ Vietnam	49	49	(363)	(538)	213	555

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)****China Elegant Limited and its subsidiary**

	2023 RM'000	2022 RM'000
Current assets	15,974	12,411
Non-current assets	–	4,109
Current liabilities	(15,132)	(15,205)
Non-current liabilities	(408)	(187)
Carrying amount of NCI	434	1,128

	Year ended 31 December 2023 RM'000	Year ended 31 December 2022 RM'000
Revenue	22,145	25,737
Other income	69	10
Expenses	(22,955)	(26,844)
Loss for the year/period	(741)	(1,097)





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES

	2023 RM'000	2022 RM'000
<b>Non-current assets</b>		
Investment in subsidiaries	3,601	19,173
<b>Current assets</b>		
Prepayments, deposits and other receivables	2,761	1,560
Amounts due from subsidiaries	11,571	26,926
Cash and bank balances	13,541	20,219
	27,873	48,705
<b>Current liabilities</b>		
Accruals and other payables	886	640
Amount due to a subsidiary	314	–
	1,200	640
<b>Net current assets</b>	26,673	48,065
<b>Net assets</b>	30,274	67,238
<b>Capital and reserves</b>		
Share capital	33,712	33,712
Reserves	(3,438)	33,526
<b>Total equity</b>	30,274	67,238

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 27 March 2024.

Lai Kwok Hei  
Director

Chan Kin Ho Philip  
Director



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2023

**36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES (Continued)**

Note: Movements in the Company's reserves:

	Share premium (note 28(i)) RM'000	Exchange reserve (note 28(iii)) RM'000	Other reserve (note 28(iv)) RM'000	Accumulated losses RM'000	Total RM'000
As at 1 January 2022	37,382	1,255	32,384	(42,725)	28,296
Loss for the year	–	–	–	(2,832)	(2,832)
Other comprehensive income	–	8,062	–	–	8,062
Total comprehensive income/(expense) for the year	–	8,062	–	(2,832)	5,230
As at 31 December 2022 and 1 January 2023	37,382	9,317	32,384	(45,557)	33,526
Loss for the year	–	–	–	(39,556)	(39,556)
Other comprehensive income	–	2,592	–	–	2,592
Total comprehensive income/(expense) for the year	–	2,592	–	(39,556)	(36,964)
<b>As at 31 December 2023</b>	<b>37,382</b>	<b>11,909</b>	<b>32,384</b>	<b>(85,113)</b>	<b>(3,438)</b>

**Distributable reserves**

As at 31 December 2023, the Company's reserves available for distribution to shareholders amounted to Nil (2022: RM24,209,000). This includes the Company's share premium approximately RM37,382,000 (2022: RM37,382,000) and other reserve of approximately RM32,384,000 (2022: RM32,384,000), less accumulated losses of approximately RM85,113,000 (2022: RM45,557,000) which are available for distribution.

**37. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 December 2023, the Group entered into new lease agreements for the use of motor vehicles. Right-of-use assets and lease liabilities of approximately RM29,000 (2022: RM2,724,000) were recognised on the commencement of the leases.





## FINANCIAL SUMMARY

A summary of the results, and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements of the Group is set out below.

### RESULTS

	For the year ended 31 December				2023 RM'000
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
Revenue	64,350	69,038	88,927	134,595	<b>116,351</b>
Cost of sales	(52,757)	(60,257)	(78,545)	(121,332)	<b>(108,738)</b>
Gross profit	11,593	8,781	10,382	13,263	<b>7,613</b>
Other income and net gains	663	974	1,642	1,553	<b>4,502</b>
Administrative and other expenses	(15,564)	(10,432)	(22,512)	(26,838)	<b>(32,527)</b>
Share of results of an associate	–	(421)	(366)	(702)	<b>165</b>
Loss on disposal of subsidiaries	(44)	–	–	–	<b>–</b>
Finance costs	(979)	(783)	(904)	(761)	<b>(508)</b>
Loss before taxation	(4,331)	(1,881)	(11,758)	(13,485)	<b>(20,755)</b>
Income tax (expense)/credit	(199)	280	(108)	396	<b>(10)</b>
Loss for the year	(4,530)	(1,601)	(11,866)	(13,089)	<b>(20,765)</b>
Attributable to:					
Owners of the Company	(4,530)	(1,601)	(11,618)	(12,551)	<b>(20,402)</b>

### ASSETS AND LIABILITIES

	As at 31 December				2023 RM'000
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
Total assets	63,046	62,763	97,997	82,276	<b>58,475</b>
Total liabilities	(22,104)	(19,600)	(31,144)	(28,588)	<b>(22,006)</b>
Total equity	40,942	43,163	66,853	53,688	<b>36,469</b>

