

# WORLDGATE GLOBAL LOGISTICS LTD

## 盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8292





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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

Mr. Wong Siu Keung Joe

Mr. Ma Kin Hung

#### Compliance Officer

Mr. Chan Kin Ho Philip

#### Authorised Representatives

Mr. Lai Kwok Hei

Mr. Shum Shing Kei

#### Audit Committee

Mr. Wong Siu Keung Joe (*Chairman*)

Ms. Wong Hoi Yan Audrey

Mr. Ma Kin Hung

#### Remuneration Committee

Ms. Wong Hoi Yan Audrey (*Chairman*)

Mr. Ma Kin Hung

Mr. Wong Siu Keung Joe

#### Nomination Committee

Mr. Ma Kin Hung (*Chairman*)

Mr. Lai Kwok Hei

Mr. Wong Siu Keung Joe

#### 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

DBS Bank (Hong Kong) Limited

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 2021 (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 and manufacturing and trading of plastic products in Vietnam.

## 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 and Hong Kong are 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 logistics service in Hong Kong remains as the main window for business to business and cross-border e-commerce trade from China to worldwide. Hence, the Group will focus on exploring the business as its key growth engine, with the intention to strengthen the market position. Hence, the Group will focus on exploring the business as its key growth engine.

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.



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

### 1. Air Freight Forwarding and Related Services

During the Financial Year, the revenue from the air freight services was accounted for approximately RM17.9 million (2020: RM17.3 million), representing an increase of about 3.9% 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 2021 and 2020 is set out in the table as below:

|                             | For the year ended 31 December |                 |
|-----------------------------|--------------------------------|-----------------|
|                             | 2021<br>'000 kg                | 2020<br>'000 kg |
| Air freight shipment volume |                                |                 |
| (a) Export                  | 7,448                          | 5,561           |
| (b) Import                  | 1,903                          | 1,989           |

### 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 RM30.5 million (2020: RM26.5 million). Revenue from sea freight services increased by about 15.1% as compared that of last year. The rental cost for container was increased sharply during the Financial Year as the acceleration in COVID-19 outbreaks in several countries has slowed global container turnaround rates. It stimulated the significant increase in sales per TEU. 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 Twenty-foot Equivalent Unit ("TEU") of the Group's sea freight forwarding and related services for the year ended 31 December 2021 and 2020 is set out in the table as below:

|                             | For the year ended 31 December |             |
|-----------------------------|--------------------------------|-------------|
|                             | 2021<br>TEU                    | 2020<br>TEU |
| Sea freight shipment volume |                                |             |
| (a) Export                  | 6,067                          | 8,364       |
| (b) Import                  | 5,597                          | 7,264       |



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

### 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 RM18.8 million (2020: RM24.8 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% (2020: about 1%) of the Group's total revenue for the Financial Year.

### **Manufacturing and trading of plastic products**

On 28 January 2021, the Group acquired 51% of the issued share capital of China Elegant Limited which is principally engaged in (i) manufacturing plastic products and accessories for industrial and civil equipment, (ii) producing molds related to plastic products, (iii) trading of plastic products and accessories, and (iv) real estate business and subleasing of excess land. During the Financial Year, the Group recorded a revenue from the trading of plastic products of approximately RM20.9 million.

### **Change in use of proceeds for setting up the logistics business in Hong Kong**

Reference is made to the Company's announcement dated 3 February 2021. The Board considers that the reallocation of approximately HK\$15.7 million, which was originally allocated for expansion of the Group's representative/branch office in major gateways in Malaysia and expansion of scope of services, towards setting up 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.

During the Financial Year, the Group recorded a revenue from the logistic services in Hong Kong of approximately RM18.0 million (2020: RM23.8 million), representing approximately 20.3% (2020: 34.5%) of our total revenue. The Board considers that the above adjustments to the intended use of proceeds will more effectively cater for the Group's financial and business needs and are in the best interests of the Company and its shareholders as a whole.



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

### Share consolidation

On 18 January 2021, the Company has consolidated every ten issued and unissued shares of par value HK\$0.01 each into one Consolidated Share of par value of HK\$0.1. Besides, the authorised share capital of the Company has increased from 100,000,000 Consolidated Shares to 1,000,000,000 Consolidated Shares.

### Right issue

On 29 July 2021, the Company proposes to implement the Rights Issue on the basis of three Rights Shares for every one existing Share held on 7 October 2021 at the Subscription Price of HK\$0.11 per Rights Share, to raise up to approximately HK\$52.3 million (before expenses) by issuing up to 475,200,000 Rights Shares to the Qualifying Shareholders. The Company and the Placing Agent entered into the Placing Agreement on the same date, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

Refer to the Company's announcement dated 9 November 2021, a total of 175,503,151 Rights Shares had been received, representing approximately 36.9% of the total number of Rights Shares available for subscription under the Rights Issue. There will be no fractional entitlements to the Rights Shares arising under the Rights Issue. Based on the subscription results, the Rights Issue was under-subscribed by 299,696,849 Rights Shares, representing approximately 63.1% of the total number of the Rights Shares available for subscription under the Rights Issue.

The under subscribed shares with the total of 299,696,849 Placing Shares, representing approximately 47.3% of the Company's issued Shares immediately upon completion of the Rights Issue, had been successfully placed at the placing price of HK\$0.11 per Placing Share, representing nil premium over the Subscription Price to not less than 6 placees.

Accordingly, the amount of the Net Gain per Placing Share under the Compensatory Arrangements is nil and no Net Gain were realised and to be received by any No Action Shareholder.

Details of the transactions were disclosed in the Company's announcement dated 29 July 2021, 24 September 2021, 8 October 2021, 28 October 2021 and 9 November 2021.

### Future Prospects and Outlook

During the Financial Year, the Group face with the continuing challenge with the unprecedented impact of COVID-19 pandemic on the global economic outlook, which also impacted the general economic and market conditions in Malaysia and Hong Kong and the industry in which we operate.

During the Financial Year, the Group continues to be confronted by the impact of the COVID-19 pandemic. Management is continuously monitoring the situation and strengthen the position as an integrated logistics solutions service provider in both Hong Kong and Malaysia. The Directors believe that there are (i) tremendous opportunities for business growth in 2022 given the fact that Malaysia's robust growth prospects, stronger regional recovery as vaccination rates progress and foreign direct investment is growing rapidly in Penang, Kulim, the Northern, Central and Southern regions of Malaysia; (ii) new business opportunities with Chinese and international clients with widening the borders of the ASEAN countries. To achieve this, the Group intends to further expand its business in major gateways of Malaysia and China and expand the scope of services to cover cross border trucking, haulage and rail freight.

Besides, the Group has an intention to expand 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.





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

### Financial Review

#### Integrated logistics services business

##### Revenue

The Group's total revenue from the integrated logistic service amounted to approximately RM68.0 million and RM69.0 million for the year ended 31 December 2021 and 2020. Majority of the Group's income was attributable to integrated logistics services for the year ended 31 December 2021 and 2020. For the Financial Year, approximately 22.0% and 34.3% of the Group's revenue was attributable to trucking and related services and sea freight services respectively. For the year ended 31 December 2020, approximately 36.6% and 38.4% of the Group's turnover was attributable to trucking and related services and sea freight services respectively.

Revenue from the integrated logistics services for the Finance Year decreased by approximately 1.5% or approximately RM1.0 million as compared to that of the previous year. The decrease was mainly contributed from the logistic services in Hong Kong decreased by 24.2% as compared with the last year.

##### 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 0.5% or RM0.3 million as compared to that of the previous year.

##### Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 9.0% from RM8.8 million for the year ended 31 December 2020 to RM8.0 million for the Financial Year. It was mainly due to the fact that the revenue generated from trucking and related services for the year ended 31 December 2021 decreased by 22.6% from about RM25.3 million for the year ended 31 December 2020 to RM19.6 million for the Financial Year. Further, there was no significant changes for the revenue generated from air freight services for the year ended 31 December 2021 where the shipment volume increase by about 23.9% from about 7.6 million kg for the year ended 31 December 2020 to about 9.4 million kg for the Financial Year. Besides, sea freight services increased by approximately 15.1% from RM26.5 million for the year ended 31 December 2020 to RM30.5 million for the Financial Year. Stimulated by the sharp increase in rental cost of container, the revenue from sea freight services was increased during the Financial Year. With the combined effects of revenue and cost of sales, the Group's gross profit margin of integrated logistics services decreased to 11.8% for the year ended 31 December 2021 from 12.7% for the year ended 31 December 2020.

#### Manufacturing and trading of plastic products

On 28 January 2021, the Group acquired the entire issued share capital of China Elegant Limited which is principally engaged in (i) manufacturing plastic products and accessories for industrial and civil equipment, (ii) producing molds related to plastic products, (iii) trading of plastic products and accessories, and (iv) real estate business and subleasing of excess land.

For the year ended 31 December 2021, the Group recorded a revenue from the manufacturing and trading of plastic products approximately RM20.9 million. Gross profit for the Financial Year was approximately RM2.3 million Gross profit ratio for the Financial Year was 11.2%.

##### Administrative Expenses

The administrative expenses were RM17.7 million and RM14.7 million for the Financial Year and the year ended 31 December 2020. The administrative expenses mainly consist of staff cost, operating leases and depreciation of property, plant and equipment.



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

### 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 RM0.9 million (2020: RM0.8 million).

### Income Tax Expense

During the Financial Year, the Group recorded income tax expenses of approximately RM0.1 million (2020: tax credit RM0.3 million).

Hong Kong profit tax is calculated on the basis at 8.25% of the estimated assessable profits up to HK\$2,000,000 and 16.5% on any part of the estimated assessable profit over HK\$2,000,000 for the period (2020: 16.5%).

### Loss for the year and Loss per Share

The Group recorded a loss of approximately RM11.6 million for the Financial Year (2020: RM1.6 million). The Group's loss per share for the Financial Year was RM4.12 sen (2020: restated RM1.76 sen).

### Liquidity, Financial Resources and Capital Structure

As at 31 December 2021,

- (a) the Group's net current assets was approximately RM49.1 million (2020: RM29.7 million) and the Group had cash and bank balance of approximately RM38.8 million (2020: RM13.7 million);
- (b) the Group had bank borrowings and overdrafts and lease liabilities of approximately RM14.0 million (2020: RM11.9 million) and RM1.8 million (2020: RM2.7 million), respectively;
- (c) the Group's current ratio was approximately 3.4 times (2020: 4.8 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 23.6% (2020: 33.9%); and
- (d) the Group's total equity attributable to owners of the Company amounted to RM65.8 million (2020: RM43.2 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 (2020: nil).

### Significant Investments Held by the Group

During the Financial Year, there was no significant investment held by the Group as at 31 December 2020 and the Financial Year.

### Material Acquisitions and Disposals of Subsidiaries and Associates

On 17 November 2020, the Group has entered into a sale and purchase agreement with an independent third party for an acquisition of 51% of the issued share capital of China Elegant Limited at a consideration of HK\$6,600,000 which will be satisfied by the shares of the Company. On 28 January 2021, the acquisition was completed. An aggregate of 20,000,000 shares have been allotted and issued by the Company at the issue price of HK\$0.33 each for the settlement of the consideration.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associates.



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

### Capital Commitments

As at 31 December 2021, the Group did not have any significant capital commitments for purchase of property, plant and equipment.

### Pledge of Assets

At the 31 December 2021, certain of the Group's land and buildings and plant and equipment with net carrying amount of RM15.0 million (2020: RM13.0 million) were pledged to secure the bank borrowings granted to the Group by licensed banks.

### Contingent Liabilities

As at 31 December 2021, bank guarantees of RM338,000 (2020: RM397,000) of the Group were issued to suppliers for operational requirements. The Directors do not consider probable that a claim will be made against the Group under these guarantees.

As at 31 December 2021 and 2020, the Company issued corporate guarantee to a bank in respect of bank borrowings and banking facilities granted to a subsidiary.

## 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, quotes from suppliers are usually made in USD for shipping cargo space. Normally, the Group's receipt in USD is more than its payment in USD. In other words, the Group is accumulating USD. 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 2021 and 2020, 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 2021, the Group has a total of 381 (2020: 198) full-time employees. The total employee remuneration including remuneration of the Directors for the Financial Year amounted to RM12.3 million (2020: RM12.5 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 from the Company's Share Placings in 2021

The net proceeds received from the placing of 12,000,000 ordinary shares of the Company at a price of HK\$0.17 each on 16 March 2021 (the "**Share Placing I**"), after deducting issue expenses relating to the Share Placing I paid by the Company, amounted to approximately HK\$1.9 million. The planned use of proceeds was solely for financing the Group's working capital.

On 31 May 2021, the net proceeds received from the placing of 26,400,000 ordinary shares of the Company at a price of HK\$0.15 each (the "**Share Placing II**"), after deducting issue expense relating to the Share Placing II paid by the Company, amounted to approximately HK\$3.8 million. The planned use of proceeds was solely for financing the Group's working capital.



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

The analysis of the actual use of the proceeds are set out below:

| Date of announcement | Fund raising activity   | Planned use of proceeds<br>HK\$'000 | Actual use of proceeds up to 31 December 2021<br>HK\$'000 |
|----------------------|---|-------------------------------------|---|
| 26 February 2021     | Share Placing I as general working capital  | 1,900                               | 1,900   |
| 31 May 2021          | Share Placing II as general working capital   | 3,800                               | 2,592   |
| 9 November 2021      | Right issue as working capital for the expansion of logistics services in Hong Kong | 51,942                              | –   |
|                      |   | 57,642                              | 4,492   |

## Comparison of Business Objectives and Strategies with Actual Business Progress

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the date of Listing to 31 December 2021 (the "Relevant Period") is set out below:

| Business strategies as stated in the Prospectus                                  | Implementation activities during the Relevant Period as stated in Prospectus                            | Actual business progress during the Relevant Period  |
|--|---|--|
| 1. Further expand its representative/branch office in major gateways of Malaysia | (a) Further expansion of Malacca & Johor branches   | The Group is in progress of hiring more new sales staff to promote and further expand Northern, Southern & Central region markets. |
|  | (b) Establishment of office in Padang Besar, Perlis, Malaysia (Thailand border) and warehouse in Penang | A new sales executive has been hired to further expand the markets in Peninsular Malaysia.   |
|  | (c) Additional cost for upgrading requirements of the new offices                                       | Reallocation of HK\$11.8 million for setting up the logistic business in Hong Kong.  |



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

| Business strategies as stated in the Prospectus                               | Implementation activities during the Relevant Period as stated in Prospectus        | Actual business progress during the Relevant Period  |
|---|---|--|
| 2. Expand the scope of services   | (a) Engagement of market research team to conduct research in rail freight services | The Group has conducted market research on an inhouse basis on rail freight, warehousing & distribution in line with the "Belt & Road" initiative. New staff will be hired & to be stationed at Padang Besar, Perlis to expand the scope of services.  |
|   | (b) Cost of establishing a small business development team                          | <p>The Group has taken efforts to intensify market promotion in Malaysia as well as in the international market places through participation in several international conferences and events for better networking &amp; market promotion;</p> <p>The Group has upgraded warehouse with racking system to increase the lettable space for optimum benefits;</p> <p>The Group has upgraded warehouse with loading bay &amp; awning.</p> <p>Reallocated the remaining HK\$3.9 million for setting up the logistic business in Hong Kong.</p> |
| 3. Further strengthen the information technology systems                      | (a) Software development (Freight Management 3000)                                  | The Group has replaced the Freight Management 3000 and Sysfreight system with a new integrated system Sovy Logistic Solutions.   |
|   | (b) Purchase of network equipment and upgrading the computers                       | Upgrading of old computer to new one.  |
|   | (c) Further improvement of IT function  | The Group has implemented the TMS system which compatible with international express service postal solutions, and capabilities to organize different customers pricing scheme and account are required.   |
| 4. Attract and retain talented and experienced employees                      | (a) Recruitment costs for new talents   | New talents were hired to grow the business further. Engagement of an management representative officer to oversee the Group's processes, performance and brand development towards a sustainable business growth.   |
|   | (b) Additional recruiting cost for new talents                                      | The Group has hired new talents to further growth of our business.   |
| 5. Grow the business strategically through business acquisitions in Singapore | (a) Payment for potential targets   | Reallocation of HK\$15 million for setting up the logistics business in Hong Kong and HK\$2.7 million as general working capital.  |
|   | (b) Consideration for acquisition   |  |



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

| Business strategies as stated in the Prospectus  | Implementation activities during the Relevant Period as stated in Prospectus | Actual business progress during the Relevant Period  |
|--|--|--|
| 6. Setting up the logistic business in Hong Kong | (a) Cost for establishing operation team                                     | The Group has built up the operation team and delegate the management team to oversee the business operation.  |
|  | (b) Recruitment cost for new talents   | New talents were hired for setting up the logistics business with the stable improvement.  |
|  | (c) Purchase of warehouse system   | The Group has purchased the Oder Management and Fulfillment System for supporting the e-business activities on merchandising, fulfilment and warehousing management. |

### Use of Proceeds

The net proceeds from the IPO Placing, after deducting underwriting fees and estimated expenses payable by the Group in connection thereto, were approximately HK\$51.6 million (or RM27.2 million at the exchange rate of approximately RM1 = HK\$1.90) as disclosed in the Prospectus. During the Relevant Period, the net proceeds from the IPO Placing had been applied as follows:

| Business strategies as stated in the Prospectus  | Planned use of net proceeds as stated in the Prospectus during the Relevant Period<br>HK\$ million | Changed use of net proceeds as stated in the announcement dated 3 February 2021<br>HK\$ million | Actual use of proceeds during the Relevant Period<br>HK\$ million | Remaining balance after revised use of proceeds<br>HK\$ million | Expected timeline of fully utilisation of the balance |
|--|--|---|---|---|---|
| 1. Further expand its representative/branch office in major gateways of Malaysia             | 14.6   | 2.8   | 2.8   | –   | –   |
| 2. Expand the scope of services  | 4.4  | 0.5   | 0.5   | –   | –   |
| 3. Further strengthen the information technology systems                                     | 6.5  | 6.5   | 6.5   | –   | –   |
| 4. Attract and retain talented and experienced employees                                     | 0.3  | 0.3   | 0.3   | –   | –   |
| 5. Grow the business strategically through business acquisitions and business collaborations | 17.7   | –   | –   | –   | –   |
| 6. Setting up the logistics business in Hong Kong  | –  | 30.7  | 21.6  | 9.1   | June 2022   |
| 7. Repay loans   | 3.4  | 3.4   | 3.4   | –   | –   |
| 8. Working Capital   | 4.7  | 7.4   | 7.4   | –   | –   |
| Total  | 51.6   | 51.6  | 42.5  | 9.1   |   |

During the Financial Year, the Company planned to utilize the use of proceeds from IPO Placing before the end of 2021, however, the unsteady global economy and the COVID-19 pandemic continue to have a considerable impact on the logistics business of the Company and the management expected that the use of proceeds will be fully utilized on June 2022.





## 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, 28 March 2022



## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Lai Kwok Hei (“Mr. Lai”)**, aged 37, 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 45, 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 was also a company secretary of China Digital Culture (Group) Limited (stock code: 8175) and an independent non-executive director of China Machinery Engineering Corporation (stock code: 1829). Mr. Chan is currently an executive director of Willing International Capital Limited since 2012.

**Ms. Tsui Ka Mei (“Ms. Tsui”)**, aged 28, was appointed as an executive Director on 5 November 2018. She is also a director of certain subsidiaries of the Group. Ms. Tsui has experiences in investment analysis, operations management and online marketing. Ms. Tsui completed her secondary education in Hong Kong. Ms. Tsui was resigned on 6 September 2021.

### Independent Non-Executive Directors

**Mr. Wong Siu Keung, Joe (“Mr. Wong”)**, aged 57, was appointed as an independent non-executive Director on 17 June 2016. He is 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 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.

**Ms. Wong Hoi Yan Audrey (“Ms. Wong”)**, aged 51, was appointed as Independent Non-Executive Director on 21 May 2019. She was also appointed as the member of the Audit Committee, and the Chairman of Remuneration Committee of the Company with effect from 21 May 2019.



## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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. Currently, Ms. Wong holds Type 1 (Dealing in Securities) and Type 9 (Asset Management) licenses from the Securities and Futures Commission of Hong Kong, as vice president (consultant), of Power Securities Company Limited and Power Asset Management Company Limited.

**Mr. Ma Kin Hung (“Mr. Ma”)**, aged 76, 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.

### Senior Management

**Ms. Lee Li Ngut (“Ms. Lee”)**, aged 47, 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 17 years of experience in accounting. From 1999 to 2000, Ms. Lee worked at Damai Laut Golf Resort as an accounts and administration officer. She joined the Group on 19 September 2000 as an account executive and became a group finance manager on 1 October 2013.

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

**Mr. Lee Cwen Wei**, age 30, 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. Shum Shing Kei (“Mr. Shum”)**, aged 50, has over 10 years of experience in finance, accounting and company secretarial matters. 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's 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.

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*

Ms. Tsui Ka Mei (resigned on 6 September 2021)

Mr. Chan Kin Ho, Philip (appointed on 10 September 2021)

#### Independent Non-executive Directors

Mr. Wong Siu Keung Joe

Ms. Wong Hoi Yan Audrey

Mr. Ma Kin 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.

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 Mr. Wong Siu Keung Joe 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 eleven meetings, at which the Directors discussed and approved, amongst other matters, (i) the Group's consolidated results for the year ended 31 December 2020, the three months ended 31 March 2021, the six months ended 30 June 2021 and the nine months ended 30 September 2021; (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) allotment of shares; (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/<br>Eligible to attend |
|--|---|
| <b>Executive Directors</b>                               |   |
| Mr. Lai Kwok Hei ( <i>Chairman</i> )                     | 11/11   |
| Mr. Chan Kin Ho, Philip (appointed on 10 September 2021) | 1/1   |
| Ms. Tsui Ka Mei (resigned on 6 September 2021)           | 8/10  |
| <b>Independent Non-executive Directors</b>               |   |
| Mr. Ma Kin Hung  | 11/11   |
| Ms. Wong Hoi Yan Audrey                                  | 11/11   |
| Mr. Wong Siu Keung Joe                                   | 11/11   |

During the Financial Year, an annual general meeting of the Company was held on 28 May 2021 (the "2020 AGM").

The attendance of each Director at the 2020 AGM is as follows:

| Name of Directors                              | Board meeting attended/<br>Eligible to attend |
|--|---|
| <b>Executive Directors</b>                     |   |
| Mr. Lai Kwok Hei ( <i>Chairman</i> )           | 1/1   |
| Ms. Tsui Ka Mei (resigned on 6 September 2021) | 0/1   |
| <b>Independent Non-executive Directors</b>     |   |
| Mr. Wong Siu Keung Joe                         | 1/1   |
| Ms. Wong Hoi Yan Audrey                        | 1/1   |
| Mr. Ma Kin Hung                                | 0/1   |



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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.

### 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 appointed as 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.

### 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 Mr. Wong Siu Keung, Joe (“**Mr. Wong**”), Ms. Wong Hoi Yan Audrey (“**Ms. Wong**”) and Mr. Ma Kin Hung (“**Mr. Ma**”). Mr. 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 during the Financial Year which was considered and approved by the Board.





## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 5 meetings, at which the Audit Committee reviewed and discussed (i) the Group's consolidated results for the year ended 31 December 2020, the three months ended 31 March 2021, the six months ended 30 June 2021 and the nine months ended 30 September 2021; 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/<br>number of meetings |
|---|---|
| Mr. Wong Siu Keung Joe, <i>Chairman</i> | 5/5   |
| Ms. Wong Hoi Yan Audrey                 | 5/5   |
| Mr. Ma Kin Hung                         | 5/5   |



## 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 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 Mr. Wong Siu Keung Joe. 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 remuneration packages of individual 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);
- 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;
- 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 consistent 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 consistent 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; and
- consulting the Chairman and/or Chief Executive (where applicable) about their remuneration proposals for other Executive Directors.

During the Financial Year, the Remuneration Committee held 2 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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

| Name of Directors                        | Number of attendance/<br>number of meetings |
|--|---|
| Ms. Wong Hoi Yan Audrey, <i>Chairman</i> | 2/2   |
| Mr. Wong Siu Keung Joe                   | 2/2   |
| Mr. Ma Kin Hung                          | 2/2   |

### 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, Mr. Wong Siu Keung Joe 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 INED;
- 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.

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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2 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/<br>number of meetings |
|----------------------------------|---|
| Mr. Ma Kin Hung, <i>Chairman</i> | 2/2   |
| Mr. Lai Kwok Hei                 | 2/2   |
| Mr. Wong Siu Keung Joe           | 2/2   |

## 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.

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



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Auditors' Remuneration

For the Financial Year, Elite Partners CPA Limited (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<br>HK\$'000 |
|---------------------------------------|---------------------|
| Audit services – Annual audit         | 580                 |
| Non-audit services – Taxation service | 8                   |

### 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 responsibility 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.

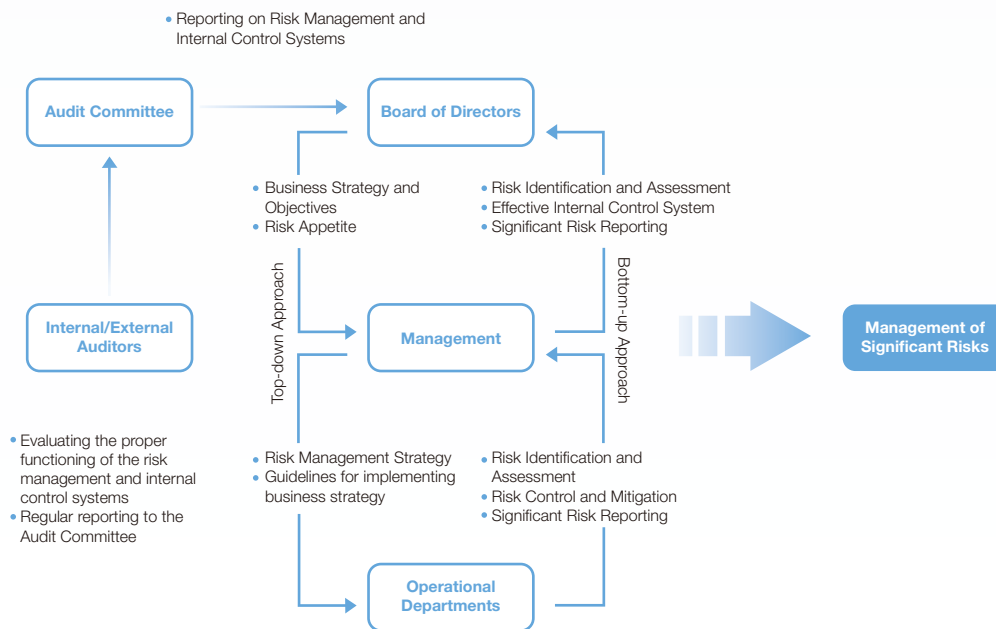
The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks, it is willing to take in achieving the business strategies of the Group. The key risks related to the Group's businesses and to the industries in which the Group operates were set out 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 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 (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.

### 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, there were no changes in the constitutional documents of the Company. The amended and restated memorandum and articles of association of the Company is available on the respective websites of the GEM and the Company.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Overview

WORLDGATE GLOBAL LOGISTICS LTD (the “**Company**”) is pleased to present our Environmental, Social and Governance (the “**ESG**”) Report (the “**Report**”) for the year ended 31 December 2021 (the “**Year**”). This Report is prepared in accordance with GEM Rules Appendix 20, the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The policy document, declaration and data set out in this Report cover the Company and its major subsidiaries (collectively the “**Group**”).

The information presented in this Report provides a material, balanced and reliable disclosure of the Group’s environmental and social performances.

## The Group’s Principal Activities

The Group is provision of comprehensive international freight services, transportation services as well as warehousing services to customers worldwide and in Hong Kong. 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 and manufacturing and trading of plastic products in Vietnam. These services are complementary to one another and provide customers a wide range of services with cost savings.

## General Overview

The freight forwarding and logistics industry is growing rapidly – revolutionized by e-commerce – with increasing demands and high expectations on visibility and fulfilment services. In an industry that is constantly evolving and innovating, it is crucial to build resilience, maintain and enhance operational efficiency and select an effective, defensible business model. Human resources and talent creation play an equally vital role in enhancing engagement with customers and for achieving on-time delivery.

The Group strives to be a role model by setting high standards for environmental protection, fostering safety, health, environmental and security awareness for its employees, prevention of corruption and anti-competition whilst adhering to fair and mutually beneficial practices.

From a life cycle perspective, we regularly assess and refine the environmental impact of our services, processes, facilities, suppliers and business partners. We continually search for sustainable solutions in our efforts to improve the environment that we live and work in.

## Scope of this Report

This Report focuses on the operation of the Group at its principal places of business in Malaysia, Vietnam and Hong Kong. The disclosures in this Report are mainly extracted from the Group’s statistical reports and relevant documents. The Company has complied with the “comply or explain” provisions set out in the ESG Guide for the Year.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Report Compilation Basis

The Report is prepared according to the “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) under Appendix 20 to the GEM Listing Rules of the HKEX. The preparation, presentation and contents of this report follow the principles of “Materiality”, “Quantitativeness”, “Consistency” and “Balance” set out in the ESG Reporting Guide. Unless otherwise specified, the statistical methods or KPIs disclosed in this ESG Report are consistent with those in the last year’s ESG Report.

**Materiality:** Materiality assessment was conducted and reviewed annually to assess the relative importance of the ESG topics identified. Topics that are relevant and important to the operation of the Group and stakeholders must be covered in this Report.

**Quantitative:** If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions.

**Consistency:** ESG data presented in this Report are prepared using consistent methodologies over time unless otherwise specified either in text or footnote.

Certain data of the ESG Report is extracted from the audited financial statements of the Company for the year ended 31 December 2021 (prepared in accordance with the applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations), whilst other data comes from internal database of the Company and other relevant statistics.

### Stakeholders’ Feedback to this Report

The Group welcomes stakeholders’ feedback on its ESG approach and performance. For any suggestions or opinions, questions or comments, please kindly send to the Company through the communication channels as stated in our Company’s website.

### Identification of and Communication with Stakeholders

The Stock Exchange has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Report. Through continuing our process of comprehensive stakeholder engagement, our Company has a sound understanding of the diverse views of its stakeholders and, together with these stakeholders, has identified the environmental and social issues that it considers to be material.

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders whom we maintain regular dialogue with through meetings, enquiries, interviews and discussions. Such stakeholders include shareholders, employees, customers, suppliers and subcontractors, regulatory authorities and the local communities in which the Group operates.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Board Statement

Our Board has an overall responsibility for overseeing and determining our Group’s environmental, social, and climate-related risks and opportunities impacting our Group, establishing and adopting the ESG Policy and targets of our Group, and reviewing our Group’s performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

ESG working group that comprises four members, including our chief financial officer, human resources director, human resources manager, and senior compliance manager. The ESG working group serves as a supportive role to our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of environmental-related, climate-related, social-related risks and assess how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuously monitoring of the implementation of measures to address our Group’s ESG-related risks. The ESG working group has to report to our Board on a semi-annual basis on the ESG performance of our Group and the effectiveness of the ESG systems.

### Materiality

During the Reporting Period, we conducted a materiality assessment to identify ESG issues and assessed their importance to the Group and our stakeholders.

With reference to the ESG Reporting Guide and taking into consideration of the Group’s business characteristics, the ESG issues determined to be material to the Group and/or our stakeholders are as follows:

| ESG Aspects as set out in the ESG Guide | Material ESG Issues for the Group           |
|---|---|
| Environmental                           |   |
| A1 Emission                             | Emission control management                 |
| A2 Use of Resources                     | Effective use of energy                     |
| A3 Environment and Natural Resources    | The environment and natural resources       |
| A4 Climate Change                       | Climate-related issues                      |
| Social                                  |   |
| B1 Employment and Labour Practices      | Employment and labour practice              |
| B2 Health and Safety                    | Workplace health and safety                 |
| B3 Development and Training             | Education, training, and career development |
| B4 Labour standards                     | Respect for labour rights                   |
| B5 Supply Chain Management              | Supply chain management                     |
| B6 Product Responsibility               | Quality and compliance management           |
| B7 Anti-corruption                      | Moral integrity and anti-corruption         |
| B8 Community Involvement                | Community participation                     |



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Environmental Protection and Conservation of Ecosystem

In the past, the pace of modernisation, industrialisation and urbanisation caused society to overlook the importance of protecting and maintaining the environment. As the issue of global warming becomes more urgent and more prominent within social discourse, the Company is pleased to be taking a proactive approach in developing sustainable policies for the benefit of its local communities and society as a whole. The Group has strict policies and guidelines, focusing on the objectives of “Reduce, Reuse and Recycle” for the protection of the environment and to strike an ecological balance that is focused on sustainability for the benefit of future generations.

The Group is committed to reducing the impact on environmental and carbon footprint whilst pursuing our quest to deliver optimal logistics services to our customers. Consumption of fuel and energy has been a significant contributor to greenhouse gases as well as other environmental concerns. The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. We also seek to put practical green ideas into practice in our daily operations including office buildings and warehouse renovation works.

The Group actively promotes Green Logistics and environmentally friendly activities in its efforts to support the better living of our communities and the development of a sustainable logistics system. These policies including selecting low-emission, low carbon, green engine and fuel-efficient vehicles, prioritising reusable packing materials such as paper pallets and paper crates instead of wooden and plastics, recycling and reusing of materials, conserving electricity and water.

Employees at all levels of the organization were encouraged to be environmentally conscious, be responsible to our planet, to show respect for human rights and to play a proactive role in protecting the environment to create a safe, healthy, clean and happy world for everyone.

The Group continues to assess and improve the environmental impact on all activities while also remaining fully committed to create a working environment conducive to exceeding occupational workplace standards which are subject to.

During the Year, there were no hazardous material recorded and our non-hazardous wastes were mainly from the packing materials. We have continue to implement a range of measures, including those discussed above, to mitigate the wastages.

### Emissions

Emissions under Malaysian law are governed by the Environmental Quality Act 1974, through which a series of rules and regulations are overseen by the Malaysian “Ministry of Energy, Science, Technology, Environment & Climate Change”. Of particular relevance under the Environmental Quality Act are the Environmental Quality (Control of Emission From Diesel Engines) Regulations 1996 (the “**Diesel Regulations**”).

Amongst other requirements, the Diesel Regulations contain a maximum level of various pollutants that may be emitted by a diesel engine, including carbon monoxide, hydrocarbons, nitrogen oxides and particulate matter. While primarily applicable to automobile manufacturers and assemblers, these standards are required to be complied with whenever we replace an engine in any of our diesel-emitting vehicles.

In addition, the Diesel Regulations contain maximum concentrations and densities of smoke which may be emitted at any time by diesel emitting vehicles in Malaysia.

The Group’s operational activities were in compliance with the Environmental Quality Act 1974, all regulations created pursuant to it and all other applicable environmental laws and regulations, including those discussed above, and were geared towards the protection of the environment while minimising the impact on the Group’s operations. Our main source of emissions was from vehicles and we continue to use green engines, green vehicles and Euro 5 Diesel as a means to reduce these. We continue to assess the environmental impact of all our activities with full commitment to complying with applicable laws and reducing our impact on the environment.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Key Performance Indicators (“KPIs”)

| Type of emissions and respective data emission                         | 2021<br>in kilogram (“kg”) | 2020<br>in kilogram (“kg”) |
|--|----------------------------|----------------------------|
| Nitrogen oxides (“NO <sub>x</sub> ”)                                   | 4,470.55                   | 6,043.24                   |
| Sulphur oxides (“SO <sub>x</sub> ”)                                    | 6.21                       | 0.32                       |
| Particulate matter (“PM”)  | 325.99                     | 440.26                     |
| <b>Total Greenhouse gas emissions</b>                                  |                            |                            |
| Carbon dioxide (“CO <sub>2</sub> ”) from vehicles consumption          | 147.61                     | 1,303.45                   |
| Methane (“CH <sub>4</sub> ”) from vehicles consumption                 | 0.27                       | 1.42                       |
| Nitrous oxide (“N <sub>2</sub> O”) from vehicles consumption           | 21.16                      | 23.19                      |
| CO <sub>2</sub> from electricity consumption                           | 1,126.57                   | 248.39                     |
| Total Greenhouse gas emissions   | 1,295.61                   | 1,576.46                   |
| Intensity of Greenhouse gas emission (Greenhouse gas per revenue '000) | 0.01                       | 0.02                       |
| <b>Total amount of non-hazardous waste (tonnes)</b>                    |                            |                            |
| Packing materials (tonnes)   | 331                        | 27                         |
| Total amount of non-hazardous waste (tonnes)                           | 331                        | 27                         |

### Use of Resources

The Group has strived to adhere to our policy of reducing our consumption of resources including fuel, water and electricity through the use of high performance equipment and streamlining our operating procedures.

In addition, our increasing use of paper pallets instead of wood and plastic pallets has multiple environmental benefits: they are bio-degradable, their lighter weight reduces total emissions during transport, they do not need to be fumigated or heat-treated in accordance with international phytosanitary measures, and they can be made-to-measure which reduces wastage.

In addition, the Group continues to employ the following measures in achieving our goal of sustainable resource usage:

- Minimising waste (such as double side printing) and increasing recycling;
- Minimising water usage in our offices and operational facilities;
- Avoiding excessive air-conditioner in the office;
- Turning off idle office equipment;
- Using the low friction tyres and lightweight materials;



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

- Eliminating excessive packaging and wastages; and
- Using LED lighting and other energy efficient equipment.

### KPIs

| Energy consumption by type                           | 2021      | 2020    |
|--|-----------|---------|
| Electricity consumption (kWh)                        | 1,298,491 | 331,720 |
| Intensity of electricity (kWh per revenue '000)      | 14.60     | 4.80    |
| Petrol/diesel consumption (litre)                    | 385,593   | 499,762 |
| Intensity of petrol (litre per revenue '000)         | 4.34      | 7.24    |
| Water consumption (cubic meters ("m <sup>3</sup> ")) | 6,151     | 7,455   |
| Intensity of water (m <sup>3</sup> per revenue '000) | 0.07      | 0.14    |

### The Environment and Natural Resources

The effectiveness of the above mentioned measures relies on the support of our internal and external stakeholders. Therefore, we believe it is our local communities and society as a whole. In this regard, we have adopted the following measures:

- Encouraging our business partners and other stakeholders to meet their respective environmental obligations and seeking to promote more environmentally friendly solutions in the services we provide;
- Identifying the environmental impacts associated with our operations, and set targets to improve our environmental performance;
- Taking a proactive approach in assessing and analysing our strategy in light of potential future legislation, for example with regard to single-use plastics;
- Applying new eco-friendly technology and practices to reduce the consumption of non-renewable resources such as diesel/petrol, water, electricity and their associated greenhouse gas emissions;
- Seeking to find synergies in our efforts to protect the environment and our corporate social responsibility initiatives, such as our donation campaign for Community Recycle for Charity;
- Minimising waste in daily operations through reduction, recycling and recovery; and
- Encouraging our employees to adopt environmentally responsible behavior and promoting operational strategies and policies which are conducive to environmental protection.

Due to the nature of our business, the Group does not directly generate industrial pollutants and is not aware of any significant generation of hazardous waste. During the Year, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations relating to environmental protection of the air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Climate Change

Climate change and global warming are the major environmental concerns in the world. Despite having no significant impact on the Group's businesses, the Group still strives to put forward environmental conservation and raise the environmental awareness of the employees.

Since the major business nature of the Group is international freight services, transportation services as well as warehousing services, climate change does not have significant impacts on the business directly. With a higher temperature in the future, the Group may need to allocate more spending on cooling. On the other hand, the Group may experience productivity loss due to increased extreme weather, like typhoons and heavy rain. The Group will review the existing measures for adverse weather conditions and ensure the safety of the employees.

### Employment

The recruitment, training and development of employees is a key factor in a company's performance. The Group's human resources policies and guidelines stipulated in the employee's handbook were in compliance with the Employment Ordinance (Cap. 57), the Employee's Compensation Ordinance (Cap. 282), the Mandatory Provident Fund Schemes Ordinance (Cap. 485), the Minimum Wage Ordinance (Cap. 608) in Hong Kong, Labour Code 2019 (Labour Code) of Vietnam and Employment Act 1955 of Malaysia.

The Group's philosophy in regard to employee's relations is linked to the "Asian Culture of Trust and Respect" where relationships are key to business success; hence it is the Group's intention to keep employees and continually develop them. Consequently, career development is enshrined in the Group's Philosophy and Values.

The Group recruits its employees based on their industry experience, technical and interpersonal skills in line with its Staff Retention Program aimed at attracting and retaining talent. Each employee's performance and competency review is uniquely tailored to them and is evaluated in the context of individual roles on an annual basis. The Company believes that employee training is a crucial factor in its competitiveness and commitment to remain innovative in a fast-paced industry.

Performance expectations for employees were systemized via a "KPI" system practiced by the Group. The KPI's were linked to each employee's respective objectives and evaluated against 4 criteria namely Far Exceeding Expectation (FEE), Exceeding Expectation (EE), Meeting Expectation (ME) and Below Expectation (BE).

The Group positioned its employee's engagement in line with the company's vision of "The Preferred Partner in Global Logistics". Their performance was tracked through a talent management process based upon their Ambition, Ability, Agility, Achievement and Passion.

Trainings was provided by a combination of both the external as well as internal trainers on logistics industry products and services, relevant regulations, dangerous goods as well as other useful topics. For new hires, an induction training program followed by on-the-job training were provided during each employee's probationary period, following which their progress is closely monitored and reviewed throughout their on boarding process. Department heads are encouraged to propose continuous improvements to the training syllabus in accordance with the Group's needs to maintain a workforce that is capable of adapting the rapidly changing nature of the industry.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group continues to collaborate with local universities through internship Programs to train new graduates and to develop their skills. The internship program provides an excellent opportunity for young talent to gain genuine business experience in a dynamic organisation with a focus on training and innovation. Allowances were provided for their daily expenses in line with the Group's commitment to corporate social responsibilities. Department Heads were assigned to brief and train the interns with a level of commitment and dedication equal to that afforded to our full-time employees. Candidates who performed well on the internship program were provided with additional training and awarded permanent positions with the Group.

The Group had a total number of 381 employees as at 31 December 2021. The employee compositions by gender, age group and geographical region were as follows:

|                                  | 2021 | Percentage |
|----------------------------------|------|------------|
| <b>Total Number of Employees</b> | 381  | 100%       |
| <b>By age group</b>              |      |            |
| Under 30                         | 197  | 51.7%      |
| 31–40                            | 126  | 33.0%      |
| 41–60                            | 57   | 15.0%      |
| Over 60                          | 1    | 0.3%       |
| <b>By gender</b>                 |      |            |
| Male                             | 165  | 43.3%      |
| Female                           | 216  | 56.7%      |
| <b>By grading of position</b>    |      |            |
| General Staff                    | 160  | 42.0%      |
| Middle Management                | 34   | 8.9%       |
| Senior Management                | 11   | 2.9%       |
| Contract or short term           | 176  | 46.2%      |
| <b>By geographical</b>           |      |            |
| Hong Kong                        | 14   | 3.7%       |
| Malaysia                         | 165  | 43.3%      |
| Vietnam                          | 202  | 53.0%      |



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The following table sets for the turnover rates of the Group's employees for the Reporting Period:

|                                     | 2021 | Percentage |
|-------------------------------------|------|------------|
| <b>Number of employees resigned</b> | 34   | 8.6%       |
| <b>By age group</b>                 |      |            |
| Under 30                            | 17   | 8.3%       |
| 31–40                               | 13   | 9.8%       |
| 41–60                               | 3    | 5.2%       |
| Over 60                             | 1    | 66.7%      |
| <b>By gender</b>                    |      |            |
| Male                                | 17   | 9.9%       |
| Female                              | 17   | 7.6%       |
| <b>By geographical</b>              |      |            |
| Hong Kong                           | 6    | 40.0%      |
| Malaysia                            | 16   | 9.2%       |
| Vietnam                             | 12   | 5.8%       |

### Health and Safety

In compliance 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, our Group is committed to provide a safe and healthy working environment for our employees.

Under the Malaysian Occupational Safety and Health Act 1994, which applies to a range of industries including, amongst others, "Transport, Storage and Communication" we are required to ensure, "so far as practicable, the safety, health and welfare at work" of our employees.

Amongst other requirements, this mandates that we provide sufficient training and supervision to ensure health and safety, maintain our working environment and equipment, ensure arrangements are made to assure safety in the handling, storage and transport of all goods we take receipt of and maintain a written health and safety policy of which our employees are aware.

In addition to ensuring compliance with the relevant laws, the Group strives to provide freight forwarding and logistics services that are safe, secure and worry-free for its customers and business partners. The Group is committed to the Safety, Health, Environmental and Security ("SHES") aspects of its business.

The SHES policy is designed to ensure that employees work within an environment that is conducive to safety, security, good health and general welfare. The fundamental objectives of the SHES policy include inculcating employees' SHES awareness, compliance for best practices, exceeding the expectations of customers, and being a benefactor to the communities in which we operate in together with our stakeholders. The Company continues to engage external trainers to train and raise employees' awareness on these issues.

Employees were required to report any injury or work-related illnesses regardless of the degree of seriousness of the injury. Office buildings, warehouses, vehicles and equipment were maintained in accordance with the required standards both in relation to their safety and appearance in compliance with the local laws and regulations.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We maintained our commitment to raise and instill safety awareness groupwide by educating, motivating and engaging employees' to effectively promote the preservation of the environment as well as prevention of accident and mishaps. We continued our commitment to comply with all applicable laws, regulations and internal requirements that we subscribe to.

The Group has organized various programs and activities during the Year. These include:

- Conducting a "Security Awareness Training" to educate staff with regards to prevent and mitigate risk.
- Conducting a "Forklift Safety & Certification Program" to enhance awareness of Forklift Safety.
- Participating in "Dangerous Goods Regulations" course to understand the IATA Dangerous Goods Regulations.
- Promoting physical wellness through course personal improvement.

Head of departments were assigned to check on the conditions of the Group's facilities and to ensure adequate availability and use of appropriate personal protective items, to ensure that workplace had adequate first aid suppliers and to check all equipment that may be required for emergency purposes.

### Work Related Fatalities and Injury Statistics

|                                | 2021 | 2020 | 2019 |
|--------------------------------|------|------|------|
| <b>Work Related Fatalities</b> |      |      |      |
| Number                         | 0    | 0    | 0    |
| Rate (%)                       | 0    | 0    | 0    |
| <b>Work Injury</b>             |      |      |      |
| Number                         | 0    | 0    | 0    |
| Lost Man Days                  | 0    | 0    | 0    |

During the Year, the Group has 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. With regard to improving staff retention and maximizing competency, the Group has conducted regular training and coaching to enhance our workforce's practical knowledge and skills as well as their understanding of the industry's trends opportunities and challenges.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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

- Sales & Business Development Training
- Security Awareness Training: Logistics & Warehousing
- Marine Cargo & Integrated Transit Liability (ITL) Insurance Policy Coverage & Claim Procedure
- Import Operations
- Influential, Interaction & Interpersonal Sales Skills
- Personal Improvement
- Dangerous Goods Regulations – Initial Course
- ISO 9001: 2015 – OMP, BMP, ISM & Forms
- ISO 45001: 2018 OHSMS Internal Auditing (Code: OHS05)
- Briefing About Logistics
- ISO 9001 Crash Course
- Forklift Safety & Certification Program
- Time Management
- Mastering Incoterms 2020
- Jom Guna Levy Briefing – HRDF Schemes & Latest Update
- Levy I Grant I Claim Briefing – Grant Application & Claim Submission Guidelines
- Lead Auditor Integrated Management System (IMS) ISO 9001, ISO 14001 & ISO 45001

The Group participated in seminars and workshops related to logistic and freight forwarding industries.

The Group has also conducted trainings related ISO 9001: 2015 prior to conducting certification audits in order to ensure compliance with the relevant standards and requirements as well as adherence to best practices. In 2021, a total of 2,496 training hours completed by the employees.

| Occupational Training Data                      |                        | 2021  |
|---|------------------------|-------|
| Training Hours of Employees by Gender           | Male                   | 990   |
|   | Female                 | 1,506 |
| Training Hours of Employees by Category         | General Staff          | 1,855 |
|   | Middle Management      | 316   |
|   | Senior Management      | 119   |
|   | Contract or short term | 207   |
| Average Training Hours of Employees by Gender   | Male                   | 5.38  |
|   | Female                 | 6.52  |
| Average Training Hours of Employees by Category | General Staff          | 10.66 |
|   | Middle Management      | 9.01  |
|   | Senior Management      | 13.17 |
|   | Contract or short term | 1.05  |
| Percentage of employees trained by Gender       | Male                   | 100%  |
|   | Female                 | 100%  |
| Percentage of employees trained by Category     | General Staff          | 100%  |
|   | Middle Management      | 100%  |
|   | Senior Management      | 81.8% |
|   | Contract or short term | 100%  |



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Promoting Diversity

The Malaysian Federal Constitution prohibits any discrimination on grounds including race, religion or gender; however there is no specific statute in Malaysia relating to workplace diversity at the current time.

The Group is committed to gender equality. We treat male and female employees equally, safeguard the health, safety, and wellbeing of all employees, promote women's career advancement by enhancing their education and training, and raise community awareness through community programs and campaigns and the Board comprises five Directors, one of which is female.

The Group continues to take a proactive approach in promoting a more prominent role for women in the workplace. We initially set a target to achieve a ratio of 30% or more female employees amongst new hires. In 2021 female employees accounted for 33% of new hires.

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. Training programs were conducted to encourage women to play a more active role in the organization in order to improve the retention of female employees and improve their suitability for promotion.

### A Learning Culture

As discussed above under 'Employment, Development and Training', 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 relationships between employees, the management and the community.

### Diversity and Business Flexibility

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.

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.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Labour Standards

With regard to the employment of minors, the relevant law in Malaysia is the Children and Young Persons (Employment) Act 1966, which places strict limits on the nature of work which may be undertaken by persons below fourteen years of age.

The Group is wholly opposed to the use of child labour and forced labour on moral as well as legal grounds. We agree that child labour and forced labour is a violation of basic human rights and international labour conventions and damages the social fabric of society and international relations. We have put in place human resources policies and guidelines in compliance with the relevant employment laws and regulations. During the Year, the Group strictly complies with the employment ordinance and did not employ any child labour nor forced labour in accordance with the Children and Young Persons (Employment) Act 1966 and all other relevant laws and regulations that apply to the Group.

### Supply Chain Management

The Group has a supply chain management system consisting of suppliers of cargo space, suppliers of overseas freight and logistics services, subcontractors such as local ground transportation as well as other logistics services providers, fuel and equipment vendors.

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

During the Year, the Group was not aware of any key suppliers or subcontractors that had any significant (actual and/or potential) adverse business ethics, labour practices or shortfalls in their adherence to environmental law and regulations.

Due to the nature of our principal business activities, the Group had no major suppliers during the Year.

### Product Responsibility

We principally provide comprehensive international freight services, transportation services as well as warehousing services to customers worldwide. The Group had registered a series of trademarks and domain names in Malaysia and Hong Kong to maintain and protect our intellectual property. We comply with all applicable law relating to intellectual property, notably the Malaysian Copyright Act 1987, Malaysian Patents Act 1983 and Malaysian Trademarks Act 1976.

The Group's mission statement of "Service with Security" emphasises the importance the Group places on the safety and security of each customers' cargo and the Group's commitment to helping them the risk of theft, hijacking and loss.

The Group's facilities are located in a secured area with closed-circuit surveillance system. The Group also adopts risk management measures, such as using global positioning system. The Group's management team have gained extensive risk management knowledge through a combination of practical experience and risk management training, including enhancing their understanding of ISO 9001 quality management system. The Group has also formulated and implemented security policies and procedures as well as setting up a security task, to ensure compliance with such policies and procedures. Moreover, the Group strives to provide customers with viable options on better and more cost effective means to transport their cargo.

The Group has created a customer services department that is in charge of handling customer complaints. All complaints are recorded essentially on our internal system which records the details of complaint, monitors the handling and progress of the complaint and records the eventual outcome.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We are also committed to protecting customer's personal data, the importance of which is enshrined in the Malaysian Personal Data Protection Act 2010. The Group takes all necessary steps to ensure that all customer's data processed by us is handled fairly and lawfully.

All of our employees and third party service providers who have access to customer data are required to respect its confidentiality and such access is provided in accordance with the relevant laws and regulations.

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

We attach great importance to our corporate culture of honesty and integrity both because it maintains our corporate image and because we believe it is right. In compliance with the Malaysian Anti-Corruption Commission Act 2009, we have established anti-corruption policies which are set out in our human resources policies and guidelines.

All employees are fully briefed on the relevant anti-corruption laws and guidelines upon entering into their employment contracts so as to ensure that they comply strictly with them and carry out their duties in good faith. All employees are expected to discharge their duties with integrity and to follow relevant local and international laws that apply to either them or the Group. The Group closely monitors the conduct of its management staff to prevent wrong-doings among the Board, senior management and staff, such as prohibiting transfer of benefits while considering new customers, suppliers or any project investment.

The procedure for whistle blowing policy is as follows:

- Acts of misconduct may be disclosed in writing, by telephonically or in person. However, all reports are encouraged to be made in writing, so as to assure a clear understanding of the issues raised;
- Individuals are recommended to self-identify, though it is not a requirement of the policy;
- All reports shall be sent directly to the chairman of the Board;
- The Group will conduct an internal investigation and determine what actions are necessary to protect the reputation and integrity of the Group; and
- Where criminality is suspected, the relevant member of the Group will promptly report this to the local authorities.

During the Year, 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.

### Society and Community Involvement

Contributing to society is a part of the Group's sustainable development strategy. The Group is committed to provide career opportunities to locals and promote the development of the community's economy. Public welfare is indivisible from long-term development of the Group. The Group participates in volunteer activities and environmental protection activities when the country suffers from a tragedy, like earthquakes, in order to raise community awareness and concern, inspiring more and more employees to participate in community service. During the Year, we donated approximately RM1,300 that were made to the community.





## 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 and manufacturing and trading of plastic products in Vietnam. The Company's principal subsidiaries are set forth in note 36 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 2021 are set forth in the consolidated financial statements on pages 61 to 135 of this annual report.

### Final Dividend

The Board does not recommend the payment of a final dividend for the Financial Year (2020: 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 136 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 2021.



## 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 2021, the Company's reserves available for distribution to the Shareholders comprising (share premium, other reserve and accumulated losses amounted to approximately RM27.0 million. Details of the Company's distributable reserves as at 31 December 2021 are set out in note 28 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 2021, 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 27.8% of the Group's cost of sales and the largest supplier accounted for about 8.7% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 26.0% of the Group's total revenue and the largest customer accounted for about 7.8% 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 35 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 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 (appointed on 10 September 2021)

Ms. Tsui Ka Mei (resigned on 6 September 2021)

#### Independent Non-executive Directors

Mr. Wong Siu Keung Joe

Ms. Wong Hoi Yan Audrey

Mr. Ma Kin Hung

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. Chan Kin Ho, Philip and Mr. Wong Siu Keung Joe 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 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.

Mr. Wong Siu Keung Joe has a fixed term of appointment for a period of one year commencing on 17 June 2021; Ms. Wong Hoi Yan Audrey has a fixed term of appointment for a period of one year commencing on 21 May 2021; Mr. Ma Kin Hung has a fixed term of appointment for a period of one year commencing on 31 July 2021; 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 2021, 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 2021, 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.

(3) On 9 November 2021, 475,200,000 ordinary shares were placed under Right Issue at the subscription price of HK\$0.11 per ordinary share.

Save as disclosed above, as at 31 December 2021, 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 35 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.





## REPORT OF THE DIRECTORS (CONTINUED)

### Events After the Reporting Period

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.

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.

Up to the date of approval of these consolidated financial statements, no definitive agreements had been entered into in respect of the joint venture collaboration under the MOU and the solar power plant project and they are subject to the entering of the definitive agreements. As such, the JV Collaboration and the solar power plant project may or may not proceed.

Details of the transaction were disclosed in the Company’s announcements dated 25 January 2022 and 10 February 2022.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2021 and up to the date of this report.

### 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, 28 March 2022



## 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 61 to 135, which comprise the consolidated statement of financial position as at 31 December 2021, 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 summary of significant accounting policies.

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 2021, 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 property, plant and equipment and right-of-use assets

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

The carrying amount of property, plant and equipment and right-of-use assets are significant to the Group amounting to approximately RM18,708,000 and RM5,713,000 respectively as at 31 December 2021. Based on management's assessment, there is no impairment charge for property, plant and equipment and right-of-use assets for the year ended 31 December 2021.

We identified the impairment assessment on property, plant and equipment and right-of-use assets as a key audit matter due to the magnitude of the carrying amount of the asset and the fact that significant judgements were required by management (i) to identify whether any impairment indicators existed for the asset 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 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 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  |
|---|---|
| <p><b>Impairment assessment on trade receivables</b></p> <p>Refer to notes 4 and 19 to the consolidated financial statements and the accounting policies set out on note 3.9.</p> <p>As at 31 December 2021, the carrying amount of the Group's trade receivables amounting to approximately RM20,418,000 (after allowance for credit losses of RM1,013,000). In assessing the recoverability of trade receivables, management exercised significant judgements to evaluate the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default, ageing analysis and forecast of future events and economic conditions which may impact the allowance for credit losses on trade receivables. The judgements applied by management have a significant impact on the level of provision required for trade receivables. We therefore identified impairment assessment of trade receivables as key audit matter due to its involvement of high degree of estimation uncertainty.</p> | <p>Our procedures in relation to management's impairment assessment on trade receivables included:</p> <ul style="list-style-type: none"> <li>• Understood the management's estimation on the allowance for credit losses on trade receivables;</li> <li>• Tested on a sample basis the ageing of trade receivables at year end;</li> <li>• Checked, on a sample basis, the settlement subsequent to the financial year end to the trade receivables;</li> <li>• Assessed the appropriateness of the expected credit loss provisioning methodology, examined the key data inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses; and</li> <li>• Evaluated the disclosures regarding the impairment assessment of the trade receivables.</li> </ul> <p>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.</p> |

## 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 HKSAAs 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 HKSAAs, 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. Lock Kwong Hang, Simon with Practising Certificate number: P06735.

### **Elite Partners CPA Limited**

*Certified Public Accountants*

10/F, 8 Observatory Road, Tsim Sha Tsui  
Kowloon, Hong Kong

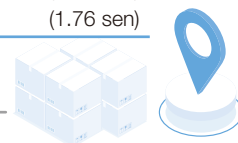
28 March 2022



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

|   | Notes | 2021<br>RM'000 | 2020<br>RM'000   |
|---|-------|----------------|------------------|
| Revenue   | 5     | 88,927         | 69,038           |
| Cost of sales   |       | (78,545)       | (60,257)         |
| Gross profit  |       | 10,382         | 8,781            |
| Other income and other net gain and loss  | 7     | 1,642          | 974              |
| Fair value changes on financial assets at fair value through profit or loss                   |       | (4,367)        | 4,437            |
| Gain on disposal of property, plant and equipment   |       | 13             | 174              |
| Impairment losses on trade receivables  |       | (447)          | (388)            |
| Share of results of an associate  |       | (366)          | (421)            |
| Administrative expenses   |       | (17,711)       | (14,655)         |
| Finance costs   | 8     | (904)          | (783)            |
| Loss before taxation  |       | (11,758)       | (1,881)          |
| Income tax (expense)/credit   | 9     | (108)          | 280              |
| Loss for the year   | 10    | (11,866)       | (1,601)          |
| 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 |       | 960            | (337)            |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                          |       |                |                  |
| Share of exchange difference of an associate  |       | 2              | (18)             |
| Other comprehensive income/(expense) for the year, net of income tax                          |       | 962            | (355)            |
| Total comprehensive expense for the year  |       | (10,904)       | (1,956)          |
| Loss for the year attributable to:  |       |                |                  |
| – Owners of the Company   |       | (11,618)       | (1,601)          |
| – Non-controlling interests   |       | (248)          | –                |
|   |       | (11,866)       | (1,601)          |
| Total comprehensive expense for the year attributable to:                                     |       |                |                  |
| – Owners of the Company   |       | (10,731)       | (1,956)          |
| – Non-controlling interests   |       | (173)          | –                |
|   |       | (10,904)       | (1,956)          |
| Loss per share  | 13    | RM             | RM<br>(Restated) |
| – Basic   |       | (4.12 sen)     | (1.76 sen)       |
| – Diluted   |       | (4.12 sen)     | (1.76 sen)       |



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

|   | <i>Notes</i> | 2021<br>RM'000 | 2020<br>RM'000 |
|---|--------------|----------------|----------------|
| <b>Non-current assets</b>                             |              |                |                |
| Property, plant and equipment                         | 14           | 18,708         | 15,733         |
| Right-of-use assets                                   | 15           | 5,713          | 6,343          |
| Goodwill  | 16           | 926            | –              |
| Interest in an associate                              | 17           | 2,928          | 3,292          |
|   |              | <b>28,275</b>  | 25,368         |
| <b>Current assets</b>                                 |              |                |                |
| Inventories   | 18           | 4,752          | –              |
| Trade and other receivables                           | 19           | 25,165         | 18,256         |
| Financial assets at fair value through profit or loss | 20           | 1,000          | 5,248          |
| Tax recoverable                                       |              | –              | 179            |
| Cash and bank balances                                | 21           | 38,805         | 13,712         |
|   |              | <b>69,722</b>  | 37,395         |
| <b>Current liabilities</b>                            |              |                |                |
| Trade and other payables                              | 22           | 14,634         | 4,220          |
| Contract liabilities                                  | 23           | 300            | 398            |
| Bank borrowings and overdrafts                        | 25           | 4,848          | 1,795          |
| Tax payables  |              | 30             | –              |
| Lease liabilities                                     | 26           | 777            | 1,324          |
|   |              | <b>20,589</b>  | 7,737          |
| <b>Net current assets</b>                             |              | <b>49,133</b>  | 29,658         |
| <b>Total assets less current liabilities</b>          |              | <b>77,408</b>  | 55,026         |
| <b>Non-current liabilities</b>                        |              |                |                |
| Deferred tax liabilities                              | 24           | 418            | 334            |
| Bank borrowings                                       | 25           | 9,110          | 10,154         |
| Lease liabilities                                     | 26           | 1,027          | 1,375          |
|   |              | <b>10,555</b>  | 11,863         |
| <b>Net assets</b>                                     |              | <b>66,853</b>  | 43,163         |





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

At 31 December 2021

|  | <i>Notes</i> | <b>2021</b><br>RM'000 | 2020<br>RM'000 |
|--|--------------|-----------------------|----------------|
| <b>Capital and reserves</b>                      |              |                       |                |
| Share capital                                    | 27           | 33,712                | 5,230          |
| Reserves   | 28           | 32,058                | 37,933         |
| Equity attributable to the owners of the Company |              | 65,770                | 43,163         |
| Non-controlling interests                        |              | 1,083                 | –              |
| <b>Total equity</b>                              |              | <b>66,853</b>         | 43,163         |

The consolidated financial statements on page 61 to 135 were approved and authorised for issue by the Board of Directors on 28 March 2022.

**Lai Kwok Hei**  
*Director*

**Chan Kin Ho Philip**  
*Director*



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

|  | Attributable to owners of the Company |                        |                         |                          |                    | Total    | Non-controlling interests | Total equity |
|--|---------------------------------------|------------------------|-------------------------|--------------------------|--------------------|----------|---------------------------|--------------|
|  | Share capital                         | Share premium          | Merger reserve          | Exchange reserve         | Accumulated losses |          |                           |              |
|  | (note 27)<br>RM'000                   | (note 28(i))<br>RM'000 | (note 28(ii))<br>RM'000 | (note 28(iii))<br>RM'000 | RM'000             |          |                           |              |
| <b>As at 1 January 2020</b>  | 4,154                                 | 29,425                 | 16,972                  | (348)                    | (9,261)            | 40,942   | -                         | 40,942       |
| Loss for the year  | -                                     | -                      | -                       | -                        | (1,601)            | (1,601)  | -                         | (1,601)      |
| Other comprehensive expense:   |                                       |                        |                         |                          |                    |          |                           |              |
| Exchange difference arising on translation from functional currency to presentation currency | -                                     | -                      | -                       | (337)                    | -                  | (337)    | -                         | (337)        |
| Share of exchange difference of an associate   | -                                     | -                      | -                       | (18)                     | -                  | (18)     | -                         | (18)         |
| Total comprehensive expense for the year   | -                                     | -                      | -                       | (355)                    | (1,601)            | (1,956)  | -                         | (1,956)      |
| Issue of shares in relation to the acquisition of an associate                               | 862                                   | 2,673                  | -                       | -                        | -                  | 3,535    | -                         | 3,535        |
| Subscription of shares   | 214                                   | 428                    | -                       | -                        | -                  | 642      | -                         | 642          |
| <b>As at 31 December 2020 and 1 January 2021</b>   | 5,230                                 | 32,526                 | 16,972                  | (703)                    | (10,862)           | 43,163   | -                         | 43,163       |
| Loss for the year  | -                                     | -                      | -                       | -                        | (11,618)           | (11,618) | (248)                     | (11,866)     |
| Other comprehensive expense:   |                                       |                        |                         |                          |                    |          |                           |              |
| Exchange difference arising on translation from functional currency to presentation currency | -                                     | -                      | -                       | 885                      | -                  | 885      | 75                        | 960          |
| Share of exchange difference of an associate   | -                                     | -                      | -                       | 2                        | -                  | 2        | -                         | 2            |
| Total comprehensive income/(expense) for the year  | -                                     | -                      | -                       | 887                      | (11,618)           | (10,731) | (173)                     | (10,904)     |
| Shares issued for acquisition of subsidiaries (note 30)                                      | 1,044                                 | 1,167                  | -                       | -                        | -                  | 2,211    | -                         | 2,211        |
| Acquisition of subsidiaries (note 30)  | -                                     | -                      | -                       | -                        | -                  | -        | 1,256                     | 1,256        |
| Placing of new shares  | 2,046                                 | 1,150                  | -                       | -                        | -                  | 3,196    | -                         | 3,196        |
| Right issues   | 25,392                                | 2,539                  | -                       | -                        | -                  | 27,931   | -                         | 27,931       |
| <b>As at 31 December 2021</b>  | 33,712                                | 37,382                 | 16,972                  | 184                      | (22,480)           | 65,770   | 1,083                     | 66,853       |



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

|   | <i>Note</i> | 2021<br>RM'000 | 2020<br>RM'000 |
|---|-------------|----------------|----------------|
| <b>Cash flows from operating activities</b>                                 |             |                |                |
| Loss before taxation  |             | (11,758)       | (1,881)        |
| Adjustments for:  |             |                |                |
| Depreciation of property, plant and equipment                               |             | 3,880          | 2,638          |
| Depreciation of right-of-use assets   |             | 1,479          | 1,541          |
| Gain on disposal of property, plant and equipment                           |             | (13)           | (174)          |
| Fair value changes on financial assets at fair value through profit or loss |             | 4,367          | (4,437)        |
| Impairment losses on trade receivables                                      |             | 447            | 388            |
| Share of results from an associate  |             | 366            | 421            |
| Interest income   |             | (212)          | (258)          |
| Finance costs   |             | 904            | 783            |
| <b>Operating cash flows before movements in working capital</b>             |             | <b>(540)</b>   | <b>(979)</b>   |
| Increase in trade and other receivables                                     |             | (3,437)        | (2,702)        |
| Increase/(decrease) in trade and other payables                             |             | 6,280          | (29)           |
| Increase in inventories   |             | (3,580)        | -              |
| Decrease in contract liabilities  |             | (98)           | (87)           |
| <b>Cash used in operations</b>  |             | <b>(1,375)</b> | <b>(3,797)</b> |
| Interest paid   |             | (80)           | (43)           |
| Income taxes paid   |             | (200)          | (128)          |
| <b>Net cash used in operating activities</b>                                |             | <b>(1,655)</b> | <b>(3,968)</b> |
| <b>Investing activities</b>   |             |                |                |
| Purchases of property, plant and equipment                                  |             | (3,231)        | (117)          |
| Capital injection to an associate   |             | -              | (311)          |
| Purchase of equity-linked structure investment                              |             | (1,000)        | (1,000)        |
| Proceed from sale of equity-linked structure investment                     |             | 1,000          | -              |
| Net cash inflow from acquisition of subsidiaries                            | 30          | 1,032          | -              |
| Interest received   |             | 212            | 258            |
| Proceeds from disposal of property, plant and equipment                     |             | -              | 211            |
| <b>Net cash used in investing activities</b>                                |             | <b>(1,987)</b> | <b>(959)</b>   |



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

For the year ended 31 December 2021

|   | <i>Notes</i> | <b>2021</b><br>RM'000 | 2020<br>RM'000 |
|---|--------------|-----------------------|----------------|
| <b>Cash flows from financing activities</b>                   |              |                       |                |
| Rights issue  |              | 27,931                | –              |
| Issue of shares upon placing                                  |              | 3,196                 | –              |
| Repayment of lease liabilities                                |              | (1,538)               | (1,682)        |
| Interest paid on lease liabilities                            |              | (40)                  | (33)           |
| Repayment of bank borrowings                                  |              | (1,367)               | (956)          |
| Interest paid on bank borrowings                              |              | (671)                 | (545)          |
| Proceed from subscription of shares                           |              | –                     | 642            |
| <b>Net cash generated from/(used in) financing activities</b> |              | <b>27,511</b>         | <b>(2,574)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |              | <b>23,869</b>         | <b>(7,501)</b> |
| <b>Cash and cash equivalents at beginning of year</b>         |              | <b>12,914</b>         | <b>20,707</b>  |
| <b>Effect of foreign exchange rate changes</b>                |              | <b>657</b>            | <b>(292)</b>   |
| <b>Cash and cash equivalents at end of year</b>               |              | <b>37,440</b>         | <b>12,914</b>  |
| <b>Represented by:</b>  |              |                       |                |
| Cash and bank balance   | 21           | 38,805                | 13,712         |
| Bank overdrafts   | 25           | (1,365)               | (798)          |
|   |              | <b>37,440</b>         | <b>12,914</b>  |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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 36.

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 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 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 2021 for the preparation of the consolidated financial statements:

|   |  |
|---|--|
| Amendment to HKFRS 16   | Covid-19-Related Rent Concessions        |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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 2021

### 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 |
|---|---|--|
| HKFRS 17  | Insurance Contracts and the Related Amendments  | 1 January 2023                                     |
| Amendments to HKFRS 3                               | Reference to the Conceptual Framework   | 1 January 2022                                     |
| 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                            |
| Amendment to HKFRS 16                               | Covid-19-Related Rent Concessions beyond 30 June 2021   | 1 April 2021                                       |
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) | 1 January 2023                                     |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies   | 1 January 2023                                     |
| Amendments to HKAS 8                                | Definition of Accounting Estimates  | 1 January 2023                                     |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction                                    | 1 January 2023                                     |
| Amendments to HKAS 16                               | Property, Plant and Equipment – Proceeds before Intended Use  | 1 January 2022                                     |
| Amendments to HKAS 37                               | Onerous Contracts – Cost of Fulfilling a Contract   | 1 January 2022                                     |
| Amendments to HKFRSs                                | Annual Improvements to HKFRSs 2018–2020   | 1 January 2022                                     |

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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation of consolidated financial statements

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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                         | 50 years   |
| Motor vehicles                    | 5 years    |
| Leasehold improvements            | 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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

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

##### **Allocation of consideration to components of a contract**

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

##### **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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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 remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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.

##### **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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.9 Financial instruments (Continued)

##### *Financial liabilities and equity*

##### **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.

##### **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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (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

All 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 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.14 Employee benefits

(i) **Short 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.

(ii) **Retirement benefit obligations**

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(iii) **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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

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.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.15 Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible 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".



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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.

#### *Classification of bank borrowings*

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

The Group classifies its fixed term bank borrowings with these registered banks in Malaysia as current and non-current liabilities in accordance with the other terms and conditions as stated in respective bank loan agreements without taking account of the repayment on demand clauses.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

#### 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.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic could led to increased credit default rates.

#### *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. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve.

As at 31 December 2021 and 2020, no impairment was recognised for property, plant and equipment and right-of-use assets.

#### *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 2021, the carrying amount of goodwill is HK\$21,670,000 (2020: nil). No impairment was recognised for the year ended 31 December 2021. Details of the recoverable amount calculation are disclosed in note 16.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 5. REVENUE

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

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2021<br>RM'000         | 2020<br>RM'000 |
| <b>Types of goods and services</b>            |                        |                |
| <i>Recognised over time:</i>                  |                        |                |
| Air freight forwarding and related services   | 17,937                 | 17,267         |
| Sea freight forwarding and related services   | 30,515                 | 26,512         |
| Trucking and warehouse and related services   | 19,561                 | 25,259         |
|   | <b>68,013</b>          | 69,038         |
| <i>Recognised at a point in time:</i>         |                        |                |
| Manufacturing and trading of plastic products | 20,914                 | –              |
| <b>Revenue from contracts with customers</b>  | <b>88,927</b>          | 69,038         |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 5. REVENUE (Continued)

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

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

The freight forwarding and related services income is recognised overtime 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 over time 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 120 days.

##### *Sales of used mobile phones*

Sales are recognised at a point in time 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 90 days is granted to the customers.

##### *Manufacturing and trading of plastic products*

The Group manufactures and sells 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, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

#### (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 2021

### 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 (2020: two) reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. During the year, the Group commenced the business engaging in manufacturing and trading of plastic products along with the acquisition of 51% of the equity interests of China Elegant Limited (as disclosed in note 30), and it is considered as new operating and reportable segment by the CODM. The Group's reportable and operating segments are as follows:

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

The logistic 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 reportable 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)/profit, which is measure of adjusted loss before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation, share of results of an associate and fair value changes on financial assets at FVTPL 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 2021

### 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 trading of plastic products |                | Total          |                |
|   | 2021<br>RM'000                          | 2020<br>RM'000 | 2021<br>RM'000                | 2020<br>RM'000 | 2021<br>RM'000                                | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Revenue from external customers   | 68,013                                  | 69,038         | -                             | -              | 20,914  | -              | 88,927         | 69,038         |
| Reportable segment (loss)/profit  | (3,273)                                 | (3,516)        | -                             | 127            | (506)   | -              | (3,779)        | (3,389)        |
| Other information:<br><i>Amounts included in the measure of segment profit or loss:</i> |   |                |                               |                |   |                |                |                |
| Interest income   | 211                                     | 258            | -                             | -              | 1   | -              | 212            | 258            |
| Finance costs   | (716)                                   | (783)          | -                             | -              | (188)   | -              | (904)          | (783)          |
| Depreciation of property, plant and equipment   | (3,163)                                 | (2,638)        | -                             | -              | (717)   | -              | (3,880)        | (2,638)        |
| Depreciation of right-of-use assets   | (1,466)                                 | (1,541)        | -                             | -              | (13)  | -              | (1,479)        | (1,541)        |
| Gain on disposal of property, plant and equipment                                       | 13                                      | 174            | -                             | -              | -   | -              | 13             | 174            |
| Impairment losses on trade receivables  | (344)                                   | (388)          | -                             | -              | (103)   | -              | (447)          | (388)          |
| Income tax (expense)/credit   | (108)                                   | 280            | -                             | -              | -   | -              | (108)          | 280            |
| Reportable segment assets   | 53,419                                  | 54,100         | -                             | -              | 12,842  | -              | 66,261         | 54,100         |
| <i>Amounts included in the measure of segment assets:</i>                               |   |                |                               |                |   |                |                |                |
| Additions to non-current assets:  |   |                |                               |                |   |                |                |                |
| – Property, plant and equipment   | 1,980                                   | 117            | -                             | -              | 1,251   | -              | 3,231          | 117            |
| – Right-of-use assets   | 530                                     | 236            | -                             | -              | -   | -              | 530            | 236            |
|   | 2,510                                   | 353            | -                             | -              | 1,251   | -              | 3,761          | 353            |
| Reportable segment liabilities  | 19,226                                  | 18,965         | -                             | -              | 11,198  | -              | 30,424         | 18,965         |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 6. OPERATING SEGMENTS (Continued)

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

No inter-segment revenue was noted during the year ended 31 December 2021 (2020: nil).

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

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2021<br>RM'000         | 2020<br>RM'000 |
| <b>Segment profit or loss</b>                   |                        |                |
| Reportable segment loss                         | (3,779)                | (3,389)        |
| Unallocated amounts:                            |                        |                |
| Fair value changes on financial assets at FVTPL | (4,367)                | 4,437          |
| Share of results of an associate                | (370)                  | (421)          |
| Unallocated corporate expenses                  | (3,242)                | (2,508)        |
| Loss before taxation                            | (11,758)               | (1,881)        |
| <b>Segment assets</b>                           |                        |                |
| Total assets of reportable segments             | 66,261                 | 54,100         |
| Financial assets at FVTPL                       | 1,000                  | 5,248          |
| Interest in an associate                        | 2,928                  | 3,292          |
| Unallocated corporate assets                    | 27,808                 | 123            |
| Consolidated assets                             | 97,997                 | 62,763         |
| <b>Segment liabilities</b>                      |                        |                |
| Total liabilities of reportable segments        | 30,424                 | 18,965         |
| Unallocated corporate liabilities               | 720                    | 635            |
| Consolidated liabilities                        | 31,144                 | 19,600         |





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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. 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 |                |
|--|---------------------------------|----------------|--------------------|----------------|
|  | 2021<br>RM'000                  | 2020<br>RM'000 | 2021<br>RM'000     | 2020<br>RM'000 |
| Malaysia (place of domicile)                                   | 49,969                          | 45,243         | 18,735             | 21,596         |
| Vietnam  | 20,914                          | –              | 4,427              | –              |
| The People's Republic of China ("PRC"),<br>including Hong Kong | 18,044                          | 23,795         | 1,259              | 480            |
| <b>Total</b>   | <b>88,927</b>                   | <b>69,038</b>  | <b>24,421</b>      | <b>22,076</b>  |

Note: Non-current assets exclude interest in an associate and goodwill.

#### (c) Information about major customers

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

|                         | 2021<br>RM'000 | 2020<br>RM'000   |
|-------------------------|----------------|------------------|
| Customer A <sup>1</sup> | 10,029         | N/A <sup>#</sup> |

<sup>1</sup> Revenue relating to manufacturing and trading of plastic products segment.

<sup>#</sup> The customer did not contribute over 10% of the total revenue of the Group during the year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

|                                     | Year ended 31 December |                |
|-------------------------------------|------------------------|----------------|
|                                     | 2021<br>RM'000         | 2020<br>RM'000 |
| <b>Other income</b>                 |                        |                |
| Bank interest income                | 212                    | 258            |
| Government subsidy ( <i>note</i> )  | –                      | 253            |
| Others                              | 894                    | 226            |
| <b>Other net gain and loss</b>      |                        |                |
| Gain on foreign exchange difference | 536                    | 237            |
|                                     | <b>1,642</b>           | <b>974</b>     |

*Note:* During the year ended 31 December 2020, the Group recognised COVID-19-related government subsidy of approximately RM253,000 (2021: nil) relating to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of this government subsidy.

### 8. FINANCE COSTS

|                               | Year ended 31 December |                |
|-------------------------------|------------------------|----------------|
|                               | 2021<br>RM'000         | 2020<br>RM'000 |
| Interest on bank overdrafts   | 80                     | 43             |
| Interest on bank borrowings   | 671                    | 545            |
| Interest on lease liabilities | 153                    | 195            |
|                               | <b>904</b>             | <b>783</b>     |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

|                                 | Year ended 31 December |                |
|---------------------------------|------------------------|----------------|
|                                 | 2021<br>RM'000         | 2020<br>RM'000 |
| Current income tax              |                        |                |
| – Hong Kong                     | –                      | –              |
| – Malaysia                      | 22                     | –              |
| – Vietnam                       | –                      | –              |
|                                 | –                      | –              |
| Under provision in prior years: |                        |                |
| – Malaysia income tax           | 2                      | 119            |
| Deferred tax ( <i>note 24</i> ) | 84                     | (399)          |
| Income tax expense/(credit)     | 108                    | (280)          |

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 will be taxed at 8.25%, and profits above HK\$2 million will be 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% of the estimated assessable profit for both years.

Malaysia income tax is calculated at the statutory rate of 24% (2020: 24%) of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 17% (2020: 17%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2020: 24%).

Vietnam income tax is calculated at the statutory rate of 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 2021.

No provision for Hong Kong Profits tax has been made as the Group did not generate assessable profits for the years ended 31 December 2021 and 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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 |                |
|---|------------------------|----------------|
|   | 2021<br>RM'000         | 2020<br>RM'000 |
| Loss before taxation  | (11,758)               | (1,881)        |
| Notional tax on loss before taxation, calculated at the rates applicable to losses in the countries concerned | (2,236)                | (523)          |
| Tax effect of non-deductible expenses   | 2,552                  | 307            |
| Tax effect of non-taxable income  | (143)                  | (7)            |
| Tax effect of share of result of an associate   | (61)                   | (69)           |
| Tax effect of deductible temporary differences not recognised   | (6)                    | (107)          |
| Under-provision in prior years  | 2                      | 119            |
| Income tax expense/(credit)   | 108                    | (280)          |

### 10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2021<br>RM'000         | 2020<br>RM'000 |
| Auditor's remuneration                            | 309                    | 163            |
| Depreciation of property, plant and equipment     | 3,880                  | 2,638          |
| Depreciation of right-of-use assets               | 1,479                  | 1,541          |
| Gain on disposal of property, plant and equipment | (13)                   | (174)          |
| Impairment losses on trade receivables            | 447                    | 388            |
| Expense on short-term lease                       | 123                    | 179            |
| Staff costs (including directors' remuneration)   |                        |                |
| – Wages, fee and salaries                         | 10,205                 | 11,115         |
| – Short-term non-monetary and other benefits      | 161                    | 172            |
| – Contributions to defined contribution plans     | 1,981                  | 1,233          |
|   | 12,347                 | 12,520         |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

## 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<br>RM'000 | Salaries and<br>other benefits<br>RM'000 | Contributions<br>to defined<br>contribution<br>plans<br>RM'000 | Total<br>RM'000 |
|---|---------------|--|--|-----------------|
| <b>Year ended 31 December 2021</b>  |               |  |  |                 |
| <i>Executive directors:</i>   |               |  |  |                 |
| Lai Kwok Hei  | 373           | –  | 10   | 383             |
| Chan Kin Ho Philip ( <i>Chief executive</i> )<br>(appointed on 10 September 2021) | 30            | –  | 1  | 31              |
| Tsui Ka Mei<br>(resigned on 6 September 2021)                                     | 240           | –  | 7  | 247             |
| <i>Independent non-executive directors:</i>                                       |               |  |  |                 |
| Wong Siu Keung Joe  | 96            | –  | –  | 96              |
| Wong Hoi Yan, Audrey  | 96            | –  | –  | 96              |
| Ma Kin Hung   | 96            | –  | –  | 96              |
|   | <b>931</b>    | <b>–</b>                                 | <b>18</b>  | <b>949</b>      |
| <b>Year ended 31 December 2020</b>  |               |  |  |                 |
| <i>Executive directors:</i>   |               |  |  |                 |
| Lai Kwok Hei  | 269           | –  | 10   | 279             |
| Wen Jianping<br>(ceased on 29 May 2020)   | 27            | –  | –  | 27              |
| Tsui Ka Mei   | 281           | –  | 7  | 288             |
| <i>Independent non-executive directors:</i>                                       |               |  |  |                 |
| Wong Siu Keung Joe  | 108           | –  | –  | 108             |
| Wong Hoi Yan, Audrey  | 98            | –  | –  | 98              |
| Ma Kin Hung   | 98            | –  | –  | 98              |
|   | <b>881</b>    | <b>–</b>                                 | <b>17</b>  | <b>898</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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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 a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year (2020: nil).

#### (b) Five highest paid employees

The five highest-paid employees of the Group during the year included two (2020: two) directors, whose remunerations are reflected in the analysis presented above. The remunerations of remaining three (2020: three) 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 |                |
|---|------------------------|----------------|
|   | 2021<br>RM'000         | 2020<br>RM'000 |
| Wages and salaries                          | 962                    | 1,248          |
| Contributions to defined contribution plans | 100                    | 133            |
|   | <b>1,062</b>           | <b>1,381</b>   |

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

|   | 2021<br>Number of<br>employees | 2020<br>Number of<br>employees |
|---|--------------------------------|--------------------------------|
| Nil to RM529,000 (equivalent to approximately HK\$1,000,000)                        | 2                              | 3                              |
| RM529,001 – RM1,058,000 (equivalent to approximately HK\$1,000,001 – HK\$2,000,000) | 1                              | –                              |
|   | <b>3</b>                       | <b>3</b>                       |

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: 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 (2020: nil).



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

For the year ended 31 December 2021

**12. DIVIDENDS**

The board of directors does not recommend payment of any dividend for the year ended 31 December 2021 (2020: nil).

**13. LOSS PER SHARE**

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2021<br>RM'000         | 2020<br>RM'000 |
| Loss for the year attributable to the owners of the Company | <b>(11,618)</b>        | (1,601)        |

**Number of shares**

|   | Year ended 31 December |                    |
|---|------------------------|--------------------|
|   | 2021                   | 2020<br>(Restated) |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | <b>281,950,428</b>     | 90,813,194         |

No diluted loss per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

The weighted average number of ordinary shares used for the purpose of calculating basic loss for the year ended 31 December 2020 has been adjusted to reflect the bonus element in rights issue on 15 November 2021. Basic loss per share for the year ended 31 December 2020 has been restated accordingly.

A share consolidation of 10 shares into 1 shares of the Company had been completed on 18 January 2021. As a result of the share consolidation, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the year ended 31 December 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 14. PROPERTY, PLANT AND EQUIPMENT

|  | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 | Motor<br>vehicles<br>RM'000 | Leasehold<br>improvements<br>RM'000 | Computers<br>RM'000 | Furniture,<br>fixtures and<br>equipment<br>RM'000 | Plant and<br>machinery<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|---------------------|-----------------------------|-------------------------------------|---------------------|---|----------------------------------|-----------------|
| <i>Cost:</i>                                 |                            |                     |                             |                                     |                     |   |                                  |                 |
| As at 1 January 2020                         | 1,227                      | 10,940              | 9,385                       | 6,388                               | 2,925               | 1,812   | -                                | 32,677          |
| Additions                                    | -                          | -                   | -                           | 13                                  | 91                  | 13  | -                                | 117             |
| Disposals                                    | -                          | -                   | (614)                       | -                                   | -                   | (11)  | -                                | (625)           |
| Transfer from right-of-use<br>assets         | -                          | -                   | 388                         | -                                   | -                   | -   | -                                | 388             |
| Exchange realignment                         | -                          | -                   | -                           | -                                   | (10)                | -   | -                                | (10)            |
| As at 31 December 2020<br>and 1 January 2021 | 1,227                      | 10,940              | 9,159                       | 6,401                               | 3,006               | 1,814   | -                                | 32,547          |
| Acquisition of subsidiaries<br>(note 30)     | -                          | 239                 | -                           | -                                   | -                   | 269   | 2,953                            | 3,461           |
| Additions                                    | -                          | 27                  | 482                         | 49                                  | 1,437               | 18  | 1,218                            | 3,231           |
| Disposals                                    | -                          | -                   | (2,854)                     | (14)                                | (9)                 | (42)  | -                                | (2,919)         |
| Exchange realignment                         | -                          | 25                  | -                           | -                                   | 24                  | 18  | 439                              | 506             |
| <b>As at 31 December 2021</b>                | <b>1,227</b>               | <b>11,231</b>       | <b>6,787</b>                | <b>6,436</b>                        | <b>4,458</b>        | <b>2,077</b>                                      | <b>4,610</b>                     | <b>36,826</b>   |
| <i>Accumulated depreciation:</i>             |                            |                     |                             |                                     |                     |   |                                  |                 |
| As at 1 January 2020                         | -                          | 1,133               | 8,182                       | 2,697                               | 1,579               | 906   | -                                | 14,497          |
| Depreciation                                 | -                          | 281                 | 1,077                       | 590                                 | 538                 | 152   | -                                | 2,638           |
| Written back on disposals                    | -                          | -                   | (584)                       | -                                   | -                   | (4)   | -                                | (588)           |
| Transfer from right-of-use<br>assets         | -                          | -                   | 278                         | -                                   | -                   | -   | -                                | 278             |
| Exchange realignment                         | -                          | -                   | -                           | -                                   | (11)                | -   | -                                | (11)            |
| As at 31 December 2020<br>and 1 January 2021 | -                          | 1,414               | 8,953                       | 3,287                               | 2,106               | 1,054   | -                                | 16,814          |
| Depreciation                                 | -                          | 778                 | 688                         | 648                                 | 888                 | 346   | 532                              | 3,880           |
| Written back on disposals                    | -                          | -                   | (2,854)                     | (12)                                | (9)                 | (31)  | -                                | (2,906)         |
| Exchange realignment                         | -                          | 14                  | -                           | -                                   | 21                  | 17  | 278                              | 330             |
| <b>As at 31 December 2021</b>                | <b>-</b>                   | <b>2,206</b>        | <b>6,787</b>                | <b>3,923</b>                        | <b>3,006</b>        | <b>1,386</b>                                      | <b>810</b>                       | <b>18,118</b>   |
| <i>Carrying amounts:</i>                     |                            |                     |                             |                                     |                     |   |                                  |                 |
| <b>As at 31 December 2021</b>                | <b>1,227</b>               | <b>9,025</b>        | <b>-</b>                    | <b>2,513</b>                        | <b>1,452</b>        | <b>691</b>  | <b>3,800</b>                     | <b>18,708</b>   |
| As at 31 December 2020                       | 1,227                      | 9,526               | 206                         | 3,114                               | 900                 | 760   | -                                | 15,733          |





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

As at 31 December 2021 and 2020, freehold land and buildings included in property, plant and equipment are all situated in Malaysia and Vietnam.

As at 31 December 2021, the Group's freehold land, buildings and plant and machinery with carrying amount of RM1,227,000 (2020: RM1,227,000), RM8,277,000 (2020: RM8,267,000) and RM2,253,000 (2020: nil) respectively, were pledged to secure the bank borrowings granted to the Group by licensed banks (note 25).

The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on fair value less costs of disposal and value in use and therefore no impairment has been recognised.

### 15. RIGHT-OF-USE ASSETS

|  | Leasehold<br>lands<br>RM'000 | Leased<br>properties<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|--|------------------------------|--------------------------------|-----------------------------|-----------------|
| <b>At 31 December 2021</b>                 |                              |                                |                             |                 |
| Carrying amount                            | 3,997                        | 551                            | 1,165                       | 5,713           |
| <b>At 31 December 2020</b>                 |                              |                                |                             |                 |
| Carrying amount                            | 3,773                        | 674                            | 1,896                       | 6,343           |
| <b>For the year ended 31 December 2021</b> |                              |                                |                             |                 |
| Depreciation charge                        | 95                           | 545                            | 839                         | 1,479           |
| <b>For the year ended 31 December 2020</b> |                              |                                |                             |                 |
| Depreciation charge                        | 81                           | 554                            | 906                         | 1,541           |

Note: As at 31 December 2021, the Group's certain of ownership interest in leasehold land of approximately RM3,397,000 (2020: RM3,476,000) was pledged to secure the bank borrowings granted to the Group by a licensed bank (note 25).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

|   | Year ended 31 December |                |
|---|------------------------|----------------|
|   | 2021<br>RM'000         | 2020<br>RM'000 |
| Expense relating to short-term leases                       | 123                    | 179            |
| Total cash outflow for leases (including short term leases) | 1,701                  | 1,861          |
| Additions to right-of-use assets                            | 530                    | 236            |

The Group is the registered owner of the building 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 are situated in Malaysia and Vietnam and held under long-term 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, respectively.

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 (2020: 1 to 4 years) for office premises and 2 to 5 years (2020: 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.

As at 31 December 2020, the motor vehicles under right-of-use assets with net carrying amounts of approximately RM110,000 (2021: nil) was transferred to property, plant and equipment due to maturity of the finance lease.

The Group estimates the recoverable amounts of the right-of-use assets based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on fair value less costs of disposal and value in use and therefore no impairment has been recognised.



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

For the year ended 31 December 2021

**16. GOODWILL**

|  | RM'000 |
|--|--------|
| At 31 December 2020 and 1 January 2020         | –      |
| Acquisition of subsidiaries ( <i>note 30</i> ) | 904    |
| Exchange realignment                           | 22     |
| As 31 December 2021                            | 926    |
| Carrying amount<br>As 31 December 2021         | 926    |

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

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment as follows:

|   | 2021<br>RM'000 |
|---|----------------|
| Manufacturing and trading of plastic products | 926            |

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 4%. The cash flows are discounted using a pre-tax discount rate of 17%, which reflects specific risks relating to the segment.

In view that the recoverable amount exceeds the carrying amount of the above CGU, there is no impairment of goodwill allocated to the above CGU during the year ended 31 December 2021.

In the opinion of directors, any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the recoverable amount.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 17. INTEREST IN AN ASSOCIATE

|  | 2021<br>RM'000 | 2020<br>RM'000 |
|--|----------------|----------------|
| Cost of investment in an associate ( <i>note (i)</i> )         | 3,846          | 3,846          |
| Share of post-acquisition loss and other comprehensive expense | (805)          | (439)          |
| Exchange adjustments   | (113)          | (115)          |
|  | <b>2,928</b>   | 3,292          |

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

| Name of entity                                 | Country of incorporation/<br>registration | Principal place<br>of business | Proportion of ownership<br>interest held by the Group |        | Proportion of voting rights<br>held by the Group |        | Principal activity  |
|--|---|--------------------------------|---|--------|--|--------|---|
|  |   |                                | 2021  | 2020   | 2021   | 2020   |   |
| Grand Moore Capital Limited<br>("Grand Moore") | Hong Kong                                 | Hong Kong                      | 33.33%  | 33.33% | 33.33%   | 33.33% | Engaged in the business of securities dealing, corporate finance advisory services and custodian services |

Notes:

- (i) The balance included a capital injection of HK\$600,000 (equivalent to RM311,000) by cash which is pro-rata to the shareholding in associate.
- (ii) The Group has 33.33% ownership interest and voting rights in Grand Moore. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of Grand Moore unilaterally, the directors of the Company conclude that the Group only has significant influence over Grand Moore and therefore it is classified as an associate of the Group.



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

For the year ended 31 December 2021

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

Summarised financial information in respect of 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.

**Grand Moore Capital Limited**

|                         | As at 31 December |                |
|-------------------------|-------------------|----------------|
|                         | 2021<br>RM'000    | 2020<br>RM'000 |
| Current assets          | 3,188             | 3,879          |
| Non-current assets      | 1,198             | 1,149          |
| Current liabilities     | (1,062)           | (566)          |
| Non-current liabilities | –                 | –              |

|  | Year ended<br>31 December<br>2021<br>RM'000 | For the<br>period from<br>24 August<br>2020<br>(date of<br>acquisition)<br>to 31 December<br>2020<br>RM'000 |
|--|---|---|
|  |   |   |
| Revenue  | 6,542                                       | 1,378   |
| Loss for the year/period                                 | (1,111)                                     | (1,276)   |
| Other comprehensive income/(expense) for the year/period | 2   | (54)  |
| Total comprehensive expense for the year/period          | (1,109)                                     | (1,330)   |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

#### Summarised financial information of an associate (Continued)

##### Grand Moore Capital Limited (Continued)

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

|  | 2021<br>RM'000 | 2020<br>RM'000 |
|--|----------------|----------------|
| Net assets value                             | 3,324          | 4,462          |
| Proportion of the Group's ownership interest | 33.33%         | 33.33%         |
| The Group's share of net assets              | 1,108          | 1,472          |
| Goodwill                                     | 1,820          | 1,820          |
| Carrying amount of the Group's interest      | 2,928          | 3,292          |

### 18. INVENTORIES

|                | 2021<br>RM'000 | 2020<br>RM'000 |
|----------------|----------------|----------------|
| Raw materials  | 1,784          | –              |
| Finished goods | 2,968          | –              |
|                | 4,752          | –              |

### 19. TRADE AND OTHER RECEIVABLES

|  | 2021<br>RM'000 | 2020<br>RM'000 |
|--|----------------|----------------|
| Trade receivables arising from contract with customers | 21,431         | 16,821         |
| Less: Allowance for credit losses                      | (1,013)        | (555)          |
|  | 20,418         | 16,266         |
| Prepayments and deposits                               | 3,948          | 1,733          |
| Other receivables                                      | 799            | 257            |
| Total trade and other receivables                      | 25,165         | 18,256         |

As at 1 January 2020, trade receivables from contracts with customers amounted to RM14,235,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 19. TRADE AND OTHER RECEIVABLES (Continued)

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 30–120 days from the invoice date.

The following is an ageing analysis of the trade receivables, net of allowance for credit losses, presented based on the invoice date is as follows:

|                | 2021<br>RM'000 | 2020<br>RM'000 |
|----------------|----------------|----------------|
| Within 1 month | 10,495         | 6,141          |
| 1 to 2 months  | 2,789          | 2,499          |
| 2 to 3 months  | 495            | 2,472          |
| Over 3 months  | 6,639          | 5,154          |
|                | <b>20,418</b>  | <b>16,266</b>  |

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate gross carrying amounts of approximately RM3,213,000 (2020: RM3,150,000) which are past due at the end of the reporting period. Details of impairment assessment of trade receivables are set out in note 33(b).

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

|  | 2021<br>RM'000 | 2020<br>RM'000 |
|--|----------------|----------------|
| Financial assets designated at FVTPL:                                  |                |                |
| 9-month equity-linked structured investment (note (i))                 | 1,000          | –              |
| 12-month equity-linked structured investment (note (i))                | –              | 1,000          |
| Call option in relation to the acquisition of an associate (note (ii)) | –              | 4,248          |
|  | <b>1,000</b>   | <b>5,248</b>   |

Notes:

- (i) The 9-month/12-month equity-linked structured investment is a combination of a deposit with an embedded derivative which rate of return is derived from the performance of the underlying asset.
- (ii) Pursuant to call option deed dated 24 February 2020 and in consideration of the option premium of HK\$1 given by the Group to the grantor, an independent third party, the grantor has conditionally agreed to grant to the Group the call option to, at any time during the call option period, demand and require the grantor to sell to the Group 67% of the issued share capital of Grand Moore held by the grantor at exercise price of HK\$23,200,000.

The call option is classified as financial assets at FVTPL. Any fair value change of the call option is recognised in profit or loss. For the year ended 31 December 2020, the fair value change of approximately RM4,437,000 is recognised in profit or loss. The call option was expired during the year ended 31 December 2021. Accordingly, a fair value loss of approximately RM4,367,000 was recognised for the year ended 31 December 2021.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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% (2020: 0% to 0.1%) per annum.

As at 31 December 2021, 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 RM7,323,000 (2020: RM10,100,000).

Details of impairment assessment of bank balances are set out in note 33(b).

### 22. TRADE AND OTHER PAYABLES

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

|   | 2021<br>RM'000 | 2020<br>RM'000 |
|---|----------------|----------------|
| Within 1 month                              | 4,442          | 1,985          |
| 1 to 2 months                               | 2,093          | 141            |
| 2 to 3 months                               | 1,364          | 81             |
| More than 3 months but less than 12 months  | 2,993          | 155            |
|   | <b>10,892</b>  | <b>2,362</b>   |
| Accruals                                    | 2,572          | 974            |
| Other payables                              | 1,163          | 728            |
| Amount due to a shareholder ( <i>note</i> ) | 7              | 156            |
| <b>Total trade and other payables</b>       | <b>14,634</b>  | <b>4,220</b>   |

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.

*Note:* The amount due to a shareholder is unsecured, interest-free and repayable on demand.





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

For the year ended 31 December 2021

**23. CONTRACT LIABILITIES**

|   | 2021<br>RM'000 | 2020<br>RM'000 |
|---|----------------|----------------|
| Freight forwarding and related services       | –              | 398            |
| Manufacturing and trading of plastic products | 300            | –              |
|   | <b>300</b>     | <b>398</b>     |

As at 1 January 2020, contract liabilities amounted to RM485,000.

Contract liabilities represented advance deposits received from customers for providing freight forwarding and related services and/or manufacturing and trading of plastic products.

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

**24. DEFERRED TAX LIABILITIES**

|   | Accelerated tax<br>depreciation |
|---|---------------------------------|
| As at 1 January 2020                                      | 733                             |
| Credited to profit or loss for the year ( <i>note 9</i> ) | (399)                           |
| As at 31 December 2020 and 1 January 2021                 | 334                             |
| Charged to profit or loss for the year ( <i>note 9</i> )  | 84                              |
| As at 31 December 2021                                    | 418                             |

No deferred tax asset has been provided in the consolidated financial statements as there were no material deductible temporary differences as at 31 December 2021 (2020: nil).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 25. BANK BORROWINGS AND OVERDRAFTS

|   | 2021<br>RM'000 | 2020<br>RM'000 |
|---|----------------|----------------|
| Secured bank borrowings   | 12,593         | 11,151         |
| Bank overdrafts   | 1,365          | 798            |
|   | <b>13,958</b>  | 11,949         |
| Bank borrowings and overdrafts are scheduled to repay as follows: |                |                |
| – on demand or within one year                                    | 4,848          | 1,795          |
| – more than one year, but not exceeding two years                 | 1,091          | 1,042          |
| – more than two years, but not exceeding five years               | 3,575          | 3,416          |
| – after five years  | 4,444          | 5,696          |
|   | <b>13,958</b>  | 11,949         |
| Less: Amounts due within one year shown under current liabilities | <b>(4,848)</b> | (1,795)        |
| Amounts shown under non-current liabilities                       | <b>9,110</b>   | 10,154         |

*Notes:*

- (i) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2021 ranged from 4.67% to 6.1% (2020: 4.01% to 6.67%) per annum.
- (ii) As at 31 December 2021, the carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period based on the repayment dates set out in the related loan agreements which the related loan agreements contain a repayable on demand clause amounted to RM9,110,000 (2020: RM10,154,000).

In accordance with the case laws established in Malaysia, it is determined that the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreements.

Accordingly, the liability associated with the term loans of the Group raised in Malaysia which contain a repayable on demand clause is classified as current and/or non-current liability in accordance with other terms and conditions as stated in the respective term loan agreements without taking account of the repayment on demand clauses.

- (iii) The bank borrowings and banking facilities as at 31 December 2021 and 2020 were secured by the following:
- Freehold land, building and ownership interest in leasehold land and plant and equipment, with an aggregate carrying amount of RM15,154,000 (2020: RM12,970,000) as at 31 December 2021 (notes 14 and 15); and
  - a corporate guarantee of the Company.
- (iv) As at 31 December 2021, the Group has available unutilised overdrafts and bank loan facilities of approximately RM6,875,000 (2020: RM6,875,000).
- (v) Bank overdrafts carry interest at market rates which range of 6.67% (2020: 6.67%).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 26. LEASE LIABILITIES

|   | 2021<br>RM'000 | 2020<br>RM'000 |
|---|----------------|----------------|
| Within one year   | 774            | 1,326          |
| Within a period of more than one year but not more than two years                 | 560            | 1,125          |
| Within a period of more than two years but not exceeding five years               | 470            | 248            |
|   | <b>1,804</b>   | 2,699          |
| Less: Amounts due for settlement within 12 months shown under current liabilities | (777)          | (1,324)        |
| Amounts due for settlement after 12 months shown under non-current liabilities    | <b>1,027</b>   | 1,375          |

The weighted average incremental borrowing rates applied to lease liabilities range from 3.4% to 9.1% (2020: from 3.4% to 9.1%) per annum.

### 27. SHARE CAPITAL

|  | Number of<br>Shares | Amount<br>HK\$'000 | Amount<br>RM'000 |
|--|---------------------|--------------------|------------------|
| <b>Authorised:</b>   |                     |                    |                  |
| Ordinary shares of HK\$0.01 each as at 1 January 2020                              | 1,000,000,000       | 10,000             | 5,383            |
| As at 31 December 2020 and 1 January 2021  | 1,000,000,000       | 10,000             | 5,383            |
| Increase in authorised shares ( <i>note (iii)</i> )                                | 900,000,000         | 90,000             | 4,703            |
| Share consolidation ( <i>note (iv)</i> )   | (900,000,000)       | –                  | –                |
| As at 31 December 2021   | 1,000,000,000       | 100,000            | 10,086           |
| <b>Issued and fully paid:</b>  |                     |                    |                  |
| As at 1 January 2020   | 800,000,000         | 8,000              | 4,154            |
| Issue of shares in relation to the acquisition of an associate ( <i>note (i)</i> ) | 160,000,000         | 1,600              | 862              |
| Subscription of shares ( <i>note (ii)</i> )  | 40,000,000          | 400                | 214              |
| As at 31 December 2020 and 1 January 2021  | 1,000,000,000       | 10,000             | 5,230            |
| Share consolidation ( <i>note (iv)</i> )   | (900,000,000)       | –                  | –                |
| Issue of shares in relation to the acquisition of subsidiaries ( <i>note (v)</i> ) | 20,000,000          | 2,000              | 1,044            |
| Placing of shares ( <i>notes (vi) and (vii)</i> )                                  | 38,400,000          | 3,840              | 2,046            |
| Rights issue ( <i>note (viii)</i> )  | 475,200,000         | 47,520             | 25,392           |
| As at 31 December 2021   | 633,600,000         | 63,360             | 33,712           |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 27. SHARE CAPITAL (Continued)

Notes:

- (i) On 24 August 2020, the Company completed to acquire 33% equity interest in Grand Moore at a consideration of HK\$11,600,000. An aggregate of 160,000,000 shares have been allotted and issued by the Company at the issue price of HK\$0.0725 each to settle the consideration.

The fair value of each new ordinary share is HK\$0.041 before share consolidation was the closing price as quoted in the market on 24 August 2020, the date of completion of the acquisition.

- (ii) On 23 October 2020, an aggregate of 40,000,000 subscription shares have been allotted and issued by the Company to the subscriber at the subscription price of HK\$0.03 per subscription share. The proceeds raised from the subscription are approximately HK\$1,200,000.

- (iii) Pursuant to the extraordinary general meeting held on 18 January 2021, the shareholders approved the increase in authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 shares with par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares with par value of HK\$0.01.

- (iv) Pursuant to the extraordinary general meeting held on 18 January 2021, the shareholders approved the consolidation of the Company's share by 10 shares into 1 share. After the share consolidated become effective, the authorised share capital of the Company became HK\$100,000,000 divided into 1,000,000,000 consolidated shares of HK\$0.1 each, of which 100,000,000 consolidated shares was in issue, which were fully paid or credited as fully paid.

- (v) On 17 November 2020, the Group entered into a sale and purchase agreement with an independent third party for an acquisition of 51% of the issued share capital of China Elegant Limited ("China Elegant") at a consideration of HK\$6,600,000 which will be satisfied by share of the Company. On 28 January 2021, the acquisition was completed. An aggregate of 20,000,000 shares was allotted and issued by the Company at the issue price of HK\$0.33 each for the settlement of the consideration.

- (vi) On 26 February 2021, the Group and a placing agent ("Placing Agent A") entered into the placing agreement pursuant to which the Company appointed the Placing Agent A to place, subject to the fulfillment of the condition precedent to the placing, a maximum of 12,000,000 placing shares to not less than six independent placees at a price of HK\$0.17 per placing share. The placing was completed on 16 March 2021.

The net proceeds from the placing, after deducting the placing commission payable to the Placing Agent A and other expenses incurred in the placing, are approximately HK\$1,900,000. The Company intends to apply all the net proceeds for general working capital of the Group.

- (vii) On 31 May 2021, the Group and a placing agent ("Placing Agent B") entered into the placing agreement pursuant to which the Company appointed the Placing Agent B to place, subject to the fulfillment of the condition precedent to the placing, a maximum of 26,400,000 placing shares to not less than six independent placees at a price of HK\$0.15 per placing share. The placing was completed on 22 June 2021.

The net proceeds from the placing, after deducting the placing commission payable to the Placing Agent B and other expenses incurred in the placing, are approximately HK\$3,800,000. The Company intends to apply all the net proceeds for general working capital of the Group.

- (viii) On 3 September 2021, the Company announced a proposed rights issue (the "Rights Issue") of no more than 475,200,000 new ordinary share of HK\$0.10 each in the share capital of the Company ("Rights Shares") at the subscription price of HK\$0.11 per Rights Share on the basis of three Rights Shares for every one existing share of the Company held by the shareholders on the record date.

Upon the Rights Issue was approved by shareholders' resolution passed at an extraordinary general meeting on 24 September 2021 and completion of the Rights Issue on 9 November 2021, a total of one valid application and acceptance in respect of a total of 175,503,151 Rights Shares was received and the remaining 299,696,849 unsubscribed Rights Shares were placed to not less than six independent placees at a price of HK\$0.11 per placing share. The net proceeds raised from the Rights Issue were approximately HK\$51,942,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 27. SHARE CAPITAL (Continued)

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.

### 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 2021

### 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. ACQUISITION OF SUBSIDIARIES

On 17 November 2020, Worldgate International Investments Limited ("Worldgate International"), a wholly owned subsidiary of the Company, entered into an acquisition agreement with the vendor, an independent third party, for an acquisition of 51% of the equity interests of China Elegant Limited ("China Elegant") which would be satisfied by the allotment and issue of shares of the Company ("Acquisition").

China Elegant beneficially owned 100% equity interest in Viet Nam Initiation Limited ("Viet Nam Initiation"), a limited company incorporated in Vietnam (collectively referred as to the "China Elegant Group"). China Elegant is principally engaged in general trading business, and Viet Nam Initiation is principally engaged in manufacturing and trading of plastic products. In the opinion of the directors of the Company, the acquisition was made with the aims to provide an opportunity to further diversify the Group's business and to expand and create synergy effect with the Group's existing business.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 30. ACQUISITION OF SUBSIDIARIES (Continued)

The Acquisition was completed on 28 January 2021, and the market price on that date was HK\$0.212. An aggregate of 20,000,000 shares upon the share consolidation have been allotted and issued by the Company. Further details of the Acquisition are set out in the announcements of the Company dated 17 November 2020, 20 November 2020 and 28 January 2021, and the circular dated 30 December 2020, respectively.

The fair value of identifiable assets and liabilities of China Elegant Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

|   | RM'000  |
|---|---------|
| Property, plant and equipment                                   | 3,461   |
| Right-of-use assets   | 307     |
| Trade and other receivables                                     | 3,919   |
| Inventories   | 1,172   |
| Cash and bank balances  | 1,032   |
| Trade and other payables  | (4,364) |
| Tax payable   | (155)   |
| Bank borrowings   | (2,809) |
|   | 2,563   |
| Less: non-controlling interests                                 | (1,256) |
|   | 1,307   |
| Goodwill ( <i>note 16</i> )                                     | 904     |
|   | 2,211   |
| Consideration satisfied by the shares of the Company            | 2,211   |
|   | 1,032   |
| Cash and cash equivalents acquired                              | 1,032   |
|   | 1,032   |
| Cash inflow arising from the acquisition of China Elegant Group | 1,032   |

The receivables acquired (which principally comprised trade receivables with a fair value of RM3,919,000 at the date of acquisition) had gross contractual amount of RM3,919,000.

Since the Acquisition, China Elegant Group has contributed revenue of approximately RM20,914,000 to the Group's turnover and loss of approximately RM506,000 to the Group's loss for the year. Had the Acquisition been completed on 1 January 2021, total Group's turnover for the year would have been increased by approximately RM2,371,000 and loss for the year would have been decreased by approximately RM96,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 31. CONTINGENT LIABILITIES

As at 31 December 2021, bank guarantees of RM338,000 (2020: RM397,000) of the Group were issued to suppliers for operational requirements.

As at 31 December 2021 and 2020, the Company issued corporate guarantee to a bank in respect of bank borrowings and banking facilities granted to a subsidiary. Details of the bank borrowings and banking facilities are set out in note 25.

### 32. 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:

|                                | 2021<br>RM'000 | 2020<br>RM'000 |
|--------------------------------|----------------|----------------|
| Bank borrowings and overdrafts | 13,958         | 11,949         |
| Lease liabilities              | 1,804          | 2,699          |
| <b>Total debts</b>             | <b>15,762</b>  | 14,648         |
| <b>Total equity</b>            | <b>66,853</b>  | 43,163         |
| <b>Gearing ratio</b>           | <b>24%</b>     | 34%            |

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 2021

**33. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

|   | 2021<br>RM'000 | 2020<br>RM'000 |
|---|----------------|----------------|
| <b>Financial assets at amortised cost:</b>      |                |                |
| Trade and other receivables                     | 21,217         | 16,523         |
| Cash and bank balances                          | 38,805         | 13,712         |
|   | <b>60,022</b>  | 30,235         |
| <b>Financial assets at FVTPL</b>                | <b>1,000</b>   | 5,248          |
|   | <b>61,022</b>  | 35,483         |
| <b>Financial liabilities at amortised cost:</b> |                |                |
| Trade and other payables                        | 14,634         | 4,220          |
| Bank borrowings and overdrafts                  | 13,958         | 11,949         |
|   | <b>28,592</b>  | 16,169         |

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 2021 and 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 33. FINANCIAL INSTRUMENTS (Continued)

#### (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.

#### 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 undue exposures to significant interest rate movements.

The following table details the interest rate profile of the Group's interest-bearing financial instruments:

|                          | 2021                                     |        | 2020                                     |        |
|--------------------------|--|--------|--|--------|
|                          | Weighted average effective interest rate | RM'000 | Weighted average effective interest rate | RM'000 |
| Floating rate borrowings | 4.58%                                    | 13,958 | 4.67%                                    | 11,949 |

#### 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 RM140,000 (2020: RM119,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 33. FINANCIAL INSTRUMENTS (Continued)

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

##### Market risk (Continued)

##### (i) Interest rate risk (Continued)

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.

##### (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:

|                               | 2021<br>RM'000 | 2020<br>RM'000 |
|-------------------------------|----------------|----------------|
| United States dollar ("US\$") |                |                |
| Assets:                       |                |                |
| Trade receivables             | 2,626          | 1,001          |
| Cash and bank balances        | 2,103          | 3,307          |
| Liabilities:                  | 4,729          | 4,308          |
| Trade payables                | (5,888)        | (620)          |
|                               | <b>(1,159)</b> | 3,688          |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 33. FINANCIAL INSTRUMENTS (Continued)

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

##### Market risk (Continued)

##### (ii) Currency risk (Continued)

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 2021 and 2020, 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% (2020: 5%) increase and decrease in RM against the US\$. A positive number below indicates an increase in post-tax profit where RM strengthen 5% (2020: 5%) against the US\$. For a 5% (2020: 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    |                |
|----------------|----------------|----------------|
|                | 2021<br>RM'000 | 2020<br>RM'000 |
| Profit or loss | (58)           | 184            |

##### 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 2021

## 33. 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.

|                                | On demand<br>or within<br>1 year<br>RM'000 | More than<br>1 year but<br>less than<br>5 years<br>RM'000 | More than<br>5 years<br>RM'000 | Total<br>undiscounted<br>cash flows<br>RM'000 | Carrying<br>amount<br>RM'000 |
|--------------------------------|--|---|--------------------------------|---|------------------------------|
| <b>As at 31 December 2021</b>  |  |   |                                |   |                              |
| Trade and other payables       | 14,634                                     | –   | –                              | 14,634  | 14,634                       |
| Bank borrowings and overdrafts | 5,327                                      | 5,927   | 4,846                          | 16,100  | 13,958                       |
| Lease liabilities              | 856  | 1,078   | –                              | 1,934   | 1,804                        |
| <b>Total</b>                   | <b>20,817</b>                              | <b>7,005</b>  | <b>4,846</b>                   | <b>32,668</b>                                 | <b>30,396</b>                |
| <b>As at 31 December 2020</b>  |  |   |                                |   |                              |
| Trade and other payables       | 4,220                                      | –   | –                              | 4,220   | 4,220                        |
| Bank borrowings and overdrafts | 1,482                                      | 5,927   | 6,327                          | 13,736  | 11,949                       |
| Lease liabilities              | 1,499                                      | 1,473   | –                              | 2,972   | 2,699                        |
| <b>Total</b>                   | <b>7,201</b>                               | <b>7,400</b>  | <b>6,327</b>                   | <b>20,928</b>                                 | <b>18,868</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 2021

### 33. 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 120 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 |        |
|------------------------|-------------------|-------|------------------------|--------|----------------|--------|
|                        | 2021              | 2020  | 2021                   | 2020   | 2021           | 2020   |
|                        |                   |       | RM'000                 | RM'000 | RM'000         | RM'000 |
| Current (not past due) | 2.80%             | 2.94% | 11,124                 | 13,513 | 311            | 397    |
| 1–30 days past due     | 2.80%             | 3.95% | 2,915                  | 1,647  | 82             | 65     |
| 31–90 days past due    | 7.69%             | 4.7%  | 533                    | 585    | 41             | 27     |
| Over 90 days past due  | 8.44%             | 6.16% | 6,859                  | 1,076  | 579            | 66     |
|                        |                   |       | <b>21,431</b>          | 16,821 | <b>1,013</b>   | 555    |

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 2021

**33. 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<br>(not credit-<br>impaired)<br>RM'000 |
|---|---|
| As at 1 January 2020                      | 183   |
| Impairment loss recognised                | 388   |
| Exchange adjustments                      | (16)  |
| As at 31 December 2020 and 1 January 2021 | 555   |
| Impairment loss recognised                | 447   |
| Exchange adjustments                      | 11  |
| <b>As at 31 December 2021</b>             | <b>1,013</b>  |

**Concentration of credit risk**

The Group has concentration of credit risk as 5% (2020: 10%) and 11% (2020: 13%) 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 2021 and 2020.

**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 2021 and 2020 were minimal.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 33. 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 2021

|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets at FVTPL</b>            |                   |                   |                   |                 |
| 9-month equity-linked structured investment | –                 | 1,000             | –                 | 1,000           |

##### Fair value hierarchy as at 31 December 2020

|  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets at FVTPL</b>                           |                   |                   |                   |                 |
| 12-month equity-linked structured investment               | –                 | 1,000             | –                 | 1,000           |
| Call option in relation to the acquisition of an associate | –                 | –                 | 4,248             | 4,248           |
|  | –                 | 1,000             | 4,248             | 5,248           |





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 33. 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)  |
|--|------------------------------|-------------|----------------------|--|
|  | 2021                         | 2020        |                      |  |
| 9-month equity-linked structured investment                | RM1,000,000                  | –           | Level 2              | Fair value and future cash flows are estimated based on the market share price of the embedded derivative of the underlying reference asset. The market share price of the underlying reference asset is observable from the stock market. |
| 12-month equity-linked structured investment               | –                            | RM1,000,000 | Level 2              | Fair value and future cash flows are estimated based on the market share price of the embedded derivative of the underlying reference asset. The market share price of the underlying reference asset is observable from the stock market. |
| Call option in relation to the acquisition of an associate | –                            | RM4,248,000 | Level 3              | The fair value of the call option is measured by using Black Scholes Formula with the key input which include volatilities of 96.8% and risk-free rate of 0.08%.   |



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

For the year ended 31 December 2021

**33. FINANCIAL INSTRUMENTS (Continued)****(c) Fair value measurements of financial instruments (Continued)****(ii) Reconciliation of Level 3 fair value measurements**

|   | RM'000   |
|---|----------|
| As at 1 January 2020                      | –        |
| Total gains:                              |          |
| – in profit or loss                       | 4,437    |
| Exchange alignment                        | (189)    |
| As at 31 December 2020 and 1 January 2021 | 4,248    |
| Total losses:                             |          |
| – in profit or loss                       | (4,367)  |
| Exchange alignment                        | 119      |
| <b>As at 31 December 2021</b>             | <b>–</b> |

There were no transfers between Level 1, Level 2 and Level 3 during the years ended 31 December 2021 and 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 34. 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<br>(note 25)<br>RM'000 | Lease liabilities<br>(note 26)<br>RM'000 | Total<br>RM'000 |
|--|--|--|-----------------|
| <b>As at 1 January 2020</b>                      | 12,107                                 | 3,983                                    | 16,090          |
| Repayment of bank borrowings                     | (956)                                  | –  | (956)           |
| Interest paid on bank borrowings                 | (545)                                  | –  | (545)           |
| Repayment of lease liabilities                   | –                                      | (1,682)                                  | (1,682)         |
| Interest paid on lease liabilities               | –                                      | (33)                                     | (33)            |
| <b>Total changes from financing cash flows</b>   | <b>10,606</b>                          | <b>2,268</b>                             | <b>12,874</b>   |
| <b>Other changes:</b>                            |  |  |                 |
| Addition to lease liabilities                    | –                                      | 236                                      | 236             |
| Interest on bank borrowings                      | 545                                    | –  | 545             |
| Interest on lease liabilities                    | –                                      | 195                                      | 195             |
| <b>Total other changes</b>                       | <b>545</b>                             | <b>431</b>                               | <b>976</b>      |
| <b>As at 31 December 2020 and 1 January 2021</b> | <b>11,151</b>                          | <b>2,699</b>                             | <b>13,850</b>   |
| Repayment of bank borrowings                     | (1,367)                                | –  | (1,367)         |
| Interest paid on bank borrowings                 | (671)                                  | –  | (671)           |
| Repayment of lease liabilities                   | –                                      | (1,538)                                  | (1,538)         |
| Interest paid on lease liabilities               | –                                      | (40)                                     | (40)            |
| <b>Total changes from financing cash flows</b>   | <b>9,113</b>                           | <b>1,121</b>                             | <b>10,234</b>   |
| <b>Other changes:</b>                            |  |  |                 |
| Addition to lease liabilities                    | –                                      | 530                                      | 530             |
| Acquisition of subsidiaries                      | 2,809                                  | –  | 2,809           |
| Interest on bank borrowings                      | 671                                    | –  | 671             |
| Interest on lease liabilities                    | –                                      | 153                                      | 153             |
| <b>Total other changes</b>                       | <b>3,480</b>                           | <b>683</b>                               | <b>4,163</b>    |
| <b>As at 31 December 2021</b>                    | <b>12,593</b>                          | <b>1,804</b>                             | <b>14,397</b>   |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 35. 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:

|   | 2021<br>RM'000 | 2020<br>RM'000 |
|---|----------------|----------------|
| Directors' fees                             | 931            | 881            |
| Wages and salaries                          | 527            | 783            |
| Contributions to defined contribution plans | 75             | 101            |
|   | <b>1,533</b>   | <b>1,765</b>   |

### 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2021 and 2020 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 |           |   |
|  |                                      |                    |                                    | 2021<br>%   | 2020<br>% | 2021<br>%  | 2020<br>% |   |
| 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         | -         | Investment holding  |
| Viet Nam Initiation Co., Ltd.*             | Vietnam                              | Vietnam            | VND<br>29,427,184,474              | -   | -         | 51         | -         | Manufacturing and sale of plastic products                      |

\* Subsidiaries which were acquired during the year ended 31 December 2021.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 36. 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 |        |
|--|------------------------|-----------------------|---|------|--|--------|--------------------------------------|--------|
|  |                        |                       | 2021  | 2020 | 2021                                       | 2020   | 2021                                 | 2020   |
|  |                        |                       | %   | %    | RM'000                                     | RM'000 | RM'000                               | RM'000 |
| China Elegant Limited and its subsidiary | Hong Kong/<br>Vietnam  | Hong Kong/<br>Vietnam | 49  | -    | (248)                                      | -      | 1,083                                | -      |

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 2021

**36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)****China Elegant Limited and its subsidiary**

|                         | 31 December<br>2021<br>RM'000  |
|-------------------------|--|
| Current assets          | 8,720  |
| Non-current assets      | 4,688  |
| Current liabilities     | (11,088)   |
| Non-current liabilities | (110)  |
|                         | For the<br>period from<br>28 January<br>2021 to<br>31 December<br>2021<br>RM'000 |
| Revenue                 | 20,914   |
| Other income            | 155  |
| Administrative expenses | (2,810)  |
| Loss for the period     | (505)  |



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

For the year ended 31 December 2021

**37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES**

|   | 2021<br>RM'000 | 2020<br>RM'000 |
|---|----------------|----------------|
| <b>Non-current assets</b>                   |                |                |
| Investment in subsidiaries                  | 19,864         | 23,988         |
| <b>Current assets</b>                       |                |                |
| Prepayments, deposits and other receivables | 588            | 119            |
| Amounts due from subsidiaries               | 14,981         | 11,835         |
| Cash and bank balances                      | 27,293         | 18             |
|   | 42,862         | 11,972         |
| <b>Current liabilities</b>                  |                |                |
| Accruals and other payables                 | 718            | 606            |
| Bank overdraft                              | –              | 42             |
|   | 718            | 648            |
| <b>Net current assets</b>                   | 42,144         | 11,324         |
| <b>Net assets</b>                           | 62,008         | 35,312         |
| <b>Capital and reserves</b>                 |                |                |
| Share capital                               | 33,712         | 5,230          |
| Reserves                                    | 28,296         | 30,082         |
| <b>Total equity</b>                         | 62,008         | 35,312         |

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 28 March 2022.

Lai Kwok Hei  
Director

Chan Kin Ho Philip  
Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES (Continued)

Note: Movements in the Company's reserves:

|   | Share<br>premium<br><i>(note 28(ii))</i><br>RM'000 | Exchange<br>reserve<br><i>(note 28(iii))</i><br>RM'000 | Other<br>reserve<br><i>(note 28(iv))</i><br>RM'000 | Accumulated<br>losses<br>RM'000 | Total<br>RM'000 |
|---|--|--|--|---------------------------------|-----------------|
| As at 1 January 2020  | 29,425   | 696  | 32,384   | (26,476)                        | 36,029          |
| Loss for the year   | –  | –  | –  | (9,082)                         | (9,082)         |
| Other comprehensive income  | –  | 34   | –  | –                               | 34              |
| Total comprehensive income/(expense)<br>for the year              | –  | 34   | –  | (9,082)                         | (9,048)         |
| Shares issued for acquisition of an associate                     | 2,673  | –  | –  | –                               | 2,673           |
| Subscription of shares  | 428  | –  | –  | –                               | 428             |
| As at 31 December 2020 and<br>1 January 2021                      | 32,526   | 730  | 32,384   | (35,558)                        | 30,082          |
| Loss for the year   | –  | –  | –  | (7,167)                         | (7,167)         |
| Other comprehensive income  | –  | 525  | –  | –                               | 525             |
| Total comprehensive income/(expense)<br>for the year              | –  | 525  | –  | (7,167)                         | (6,642)         |
| Shares issued for acquisition of subsidiaries<br><i>(note 30)</i> | 1,167  | –  | –  | –                               | 1,167           |
| Placing of new shares   | 1,150  | –  | –  | –                               | 1,150           |
| Right issues  | 2,539  | –  | –  | –                               | 2,539           |
| <b>As at 31 December 2021</b>                                     | <b>37,382</b>                                      | <b>1,255</b>   | <b>32,384</b>                                      | <b>(42,725)</b>                 | <b>28,296</b>   |

#### Distribution reserves

As at 31 December 2021, the Company's reserves available for distribution to shareholders amounted to approximately RM27,041,000 (2020: RM29,352,000). This includes the Company's share premium approximately RM37,382,000 (2020: RM32,526,000) and other reserve of approximately RM32,384,000 (2020: RM32,384,000), less accumulated losses of approximately RM42,725,000 (2020: RM35,558,000) which are available for distribution.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 38. EVENT AFTER THE END OF THE REPORTING PERIOD

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.

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.

Up to the date of approval of these consolidated financial statements, no definitive agreements had been entered into in respect of the joint venture collaboration under the MOU and the solar power plant project and they are subject to the entering of the definitive agreements. As such, the JV Collaboration and the solar power plant project may or may not proceed.

Details of the transaction were disclosed in the Company's announcements dated 25 January 2022 and 10 February 2022.

### 39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of office premises and motor vehicles. Right-of-use assets and lease liabilities of approximately RM530,000 were recognised on the commencement of the leases.

During the year ended 31 December 2020, the Group entered into new lease agreement for the use of office premises. Right-of-use assets and lease liabilities of approximately RM236,000 were recognised at the commencement of the leases.

The consideration for the acquisition of an associate that occurred during the year ended 31 December 2020 and the consideration for the acquisition of subsidiaries that occurred during the year ended 31 December 2021 respectively, were settled by the issue of shares of the Company. Further details are set out in note 27.

### 40. COMPARATIVE FIGURES

To conform with current year's presentation, certain comparative figures for the line items on the consolidated statement of profit or loss and other comprehensive income have been reclassified. No further information is presented as there is no significant impact to the loss before taxation.



## 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 |                |                |                |                 |
|-----------------------------------|--------------------------------|----------------|----------------|----------------|-----------------|
|                                   | 2017<br>RM'000                 | 2018<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000  |
| Revenue                           | 96,442                         | 74,278         | 64,350         | 69,038         | <b>88,927</b>   |
| Cost of sales                     | (81,387)                       | (62,060)       | (52,757)       | (60,257)       | <b>(78,545)</b> |
| Gross profit                      | 15,055                         | 12,218         | 11,593         | 8,781          | <b>10,382</b>   |
| Other income and net gains        | 422                            | 820            | 663            | 974            | <b>1,642</b>    |
| Administrative and other expenses | (16,028)                       | (15,407)       | (15,564)       | (10,432)       | <b>(22,512)</b> |
| Share of results of an associate  | –                              | –              | –              | (421)          | <b>(366)</b>    |
| Loss on disposal of subsidiaries  | –                              | –              | (44)           | –              | <b>–</b>        |
| Finance costs                     | (1,033)                        | (966)          | (979)          | (783)          | <b>(904)</b>    |
| Loss before taxation              | (1,584)                        | (3,335)        | (4,331)        | (1,881)        | <b>(11,758)</b> |
| Income tax (expense)/credit       | (577)                          | (563)          | (199)          | 280            | <b>(108)</b>    |
| Loss for the year                 | (2,161)                        | (3,898)        | (4,530)        | (1,601)        | <b>(11,866)</b> |
| Attributable to:                  |                                |                |                |                |                 |
| Owners of the Company             | (2,161)                        | (3,898)        | (4,530)        | (1,601)        | <b>(11,618)</b> |

### ASSETS AND LIABILITIES

|                   | As at 31 December |                |                |                |                 |
|-------------------|-------------------|----------------|----------------|----------------|-----------------|
|                   | 2017<br>RM'000    | 2018<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000  |
| Total assets      | 82,879            | 69,147         | 63,046         | 62,763         | <b>97,997</b>   |
| Total liabilities | (33,725)          | (23,549)       | (22,104)       | (19,600)       | <b>(31,144)</b> |
| Total equity      | 49,154            | 45,598         | 40,942         | 43,163         | <b>66,853</b>   |

