WORLDGATE GLOBAL LOGISTICS LTD 盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)





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 2017 (the "Year"). This Report is prepared in accordance with 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 an integrated logistics solution provider in Malaysia. 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.

Scope of this Report

This Report focuses on the operation of the Group at its principal places of business in Malaysia. The disclosures in this Report are mainly extracted from the Group's statistical reports and relevant documents. The Group will extend the scope of disclosures and will ultimately cover all operations when the data collection system is better established and the ESG work is strengthened. The Company has complied with the "comply or explain" provisions set out in the ESG Guide for the Year.

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.



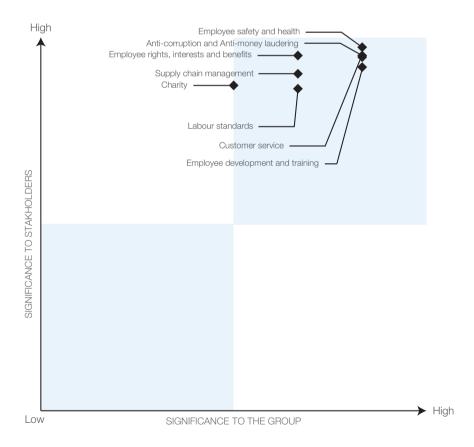
Identification of and Communication with Stakeholders

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. As recommended, through stakeholder engagements, our Company can understand wideranging views and identify material environmental and social issues.

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders whom are communicated through meetings, enquiries, interviews and discussions, including: shareholders, employees, customers, suppliers and subcontractors, regulatory authorities and the local communities in which the Group operates.

The Group provided a total of 50 surveys to our key stakeholders including employees, management, investors, customers, suppliers, etc., to help identifying stakeholders' priorities and determining the contents of the Report accordingly and to ensure that the information disclosed in the Report fully covers the Group's development and key issues which are of stakeholders' concern.

RESULTS OF SURVEY 2017



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. The significance of the industry that is constantly evolving and innovating lies in building resilience, provision of operational efficiency and the right business model. Human resource and talent creation plays an equally vital role in engagement with customers and for achieving On-Time Delivery.



The Group desires to become 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 business practices. From a life cycle perspective, we assess and improve the environmental impact deriving from 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.

Safety, health, Environmental and Security

The Group strives to provide freight forwarding and logistics services that is safe, secure and worry-free business for its stakeholders. The Group is committed to the Safety, Health, Environmental and Security (SHES) aspects of its business.

The Safety, Health, Environmental and Security Policy is to ensure that employees work within a safe, secure, healthy and conducive environment. The fundamental objectives were among others to inculcate employees' SHES awareness, compliance for best practices, to meet with the expectations of customers, the communities in which we operate in and our stakeholders too.

External trainers were engaged to train and raise employees' awareness on these aspects.

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 equipments were maintained in accordance with the required standards both on safety and on its appearance in compliance with the local laws and regulations.

We pledged to raise and instill safety awareness groupwide by educating, motivating and engaging employees' full participation to effectively promote the preservation of the environment as well as prevention of accident and mishap. We commit 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. They were as follows:

- Conducted fire evacuation drill and fire extinguisher training for further enhancement of firefighting and fire safety in the workplace;
- Conducted health awareness campaign, general health talk and health check (including blood pressure and basic urine test) for its employees;
- Promotion of physical wellness through sports activities and tournaments such as badminton, bowling and sky-track recreation organized by the Group;
- Inclusion of hospitalisation benefits for all employees who has completed probationary periods; and
- Drivers' trainings conducted by both the internal and external trainers on various aspects pertaining to road safety, safe driving and
 environmental. Vehicles are being sent half yearly to the vehicle inspection centre for thorough check up including exhaust fume in
 compliance with the local laws and road transport act. Consequently, we have continually been using Euro 5 Diesel replacing Euro 2
 to reduce CO₂ emission.

Head of departments were assigned to check on the conditions of its facilities and on the appropriate personal protective items to ensure that workplace has had first aid kits and the required equipment for emergency purposes.



Work Related Fatalities and Injury Statistics

	Result
Work Related Fatalities	
Number	0
Rate (%)	0
Work Injury	
Number	1
Lost days due to work injury	115

During the Year, the Group has complied with the relevant laws and regulations relating to safety, health, environment and security. No legal conviction or prosecution was recorded.

Environmental Protection and Conservation of Ecosystem

In a fast-growing society, often we overlooked a vital key point on how we achieve our status today and it was due to our environment. The Group has strict policies and guidelines that were drawn to Reduce, Reuse and Recycle for the protection of the environment and to strike an ecological balance for future generations to come.

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. The 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. Also, we 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 people and the development of a sustainable logistics system. From low-emission, low carbon, green engine and fuel-efficient vehicles to using reusable packing materials such as paper pallets, paper crates replacing wooden and plastics, recycling and reusing of materials right up to the savings of electricity and water for the purpose of environmental protection, conservation of the ecosystem and the stability of the planet.

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 through participation to create a safe, healthy, clean and happy world for all.

The Group will continually assess and improve the environmental impact on all activities with full commitment and to create a conducive working environment in accordance with the occupational workplace standards. During the Year, there were no hazardous material recorded.

During the Year, the non-hazardous wastes were mainly from the packing materials, we have implemented the above stated measures to mitigate the wastages.



Emissions

The Group's operational activities were in compliance with applicable environmental laws and regulations in all material aspects and were geared towards the protection of the environment with minimum impact on the Group's operations. The major emissions were from the vehicles and we have adopted measures to use green engine, green vehicles and Euro 5 Diesel as a mean to reduce emissions. We will continually assess, comply and improve the environmental impact of all activities with full commitment and responsibility.

Key Performance Indicators ("KPIs")

Type of emissions and respective data emission	2017
	in kilogram ("kg")
Nitrogen oxides ("NOx")	6,390.80
Sulphur oxides ("SOx")	8.88
Particulate matter ("PM")	484.58
Total Greenhouse gas emissions	2017
	in tonnes
Carbon dioxide ("CO ₂ ") from vehicles consumption	1,441.92
Methane ("CH ₄ ") from vehicles consumption	1.58
Nitrous Oxide ("N ₂ O") from vehicles consumption	21.75
CO ₂ from electricity consumption	268.83
Total CO ₂ emissions	1,734.08
Intensity of CO ₂ emission (CO ₂ per revenue '000)	0.018
Total amount of non-hazardous waste	2017
	in tonnes
Packing materials	20

Use of Resources

The Group has strived to adhere our policy to enhance the efficiency in consumption of resources including fuel, water and electricity though advocating the use of high performance equipment and streamline our operating procedures, we have adopted the following measures in achieving our goal in using of resources:

- Minimizing waste and increasing recycling (such as double side printing);
- Controlling flow from tap and avoid turning it to the full;
- Controlling of temperature of the air-conditioner in the office;



• Turning off idle office equipment;

Energy consumption by type

- Using the low friction tyres and lightweight materials;
- Eliminating excessive packaging and wastages; and
- Using LED lighting and other energy efficient equipment.

KPIs

Lifetgy consumption by type	2017
Electricity consumption (kWh)	359,017
Intensity of electricity (kWh per revenue '000)	3.72
Petrol/Diesel consumption (litre)	559,570
Intensity of petrol (litre per revenue '000)	5.80
Water consumption (cubic meters ("m³"))	3,587
Intensity of water (m³ per revenue '000)	0.04

2017

The Environment and Natural Resources

Our Group does not involve in any activities that has direct or significant impact on the environment or natural resources in the course of our business operation. The effectiveness of the above mentioned measures relies on the support of our internal and external stakeholders. Therefore, we are obligated to take responsibility for the environmental and natural resources of the local community with the following adopted measures:

- Ensuring compliance with all applicable environmental and related legislation and encouraging staffs, business partners and other stakeholders to meet the environmental obligations;
- Identifying environmental impacts associated with our operations, and set targets to continually improve our environmental performance;
- Applying new eco-friendly technology and practices to reduce the consumption of non-renewable resources such as diesel/petrol, water, electricity and reduce their associated greenhouse gas emissions;
- Minimizing waste generation in daily operations through reduction, recycling and recovery; and
- Encouraging our employees to adopt environmentally responsible behaviour and promoting environmental protection in our operations.

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 on environmental protection relating to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.



Development and Training

The Group values its employees as human capitals and acknowledges the importance of empowering its people through development and training. In the context of staff's retention and competency improvement, the Group has conducted regular training and coaching, to enhance staffs' knowledge and skills to pursue their understanding of the industry's trends and challenges.

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

- Facility Security Regulation (FSR) Training;
- Dangerous Goods Regulations (DGR) Refresher Training;
- Customs Agent Course;
- Business English Communication with an Objective;
- INCOTERMS 2010 Import & Export Negotiations;
- New E-Manifest Training;
- GST Seminar on Freight Transport (Issues and Updates 2017);
- ISO 9001:2015 Awareness Training;
- Emotional Intelligence and Leadership Practices;
- Understanding FTA (Free Trade Agreement), ROO (Rules of Origin) and PCO (Preferential Certificate of Origin);
- Leadership and Management Support for Secretary;
- SOVY System Training (Integrated software system);
- Halal Awareness Training;
- Halal Certification and Auditors Development Program; and
- Payroll Administration for Paymaster.

The Group has participated in Industrial Based (INBASE) certification and diploma programs which were supported by the Ministry of Transport (MOT) of Malaysia.

- Certified International Logistics Manager;
- Certified Logistics for Sales Personnel;
- UNESCAP MTO (Multimodal Transport Operator) in Freighting; and
- FIATA Diploma in Freight Forwarding.



The Group has also participated in seminars and workshops relating to freight forwarding and logistics conducted along with site visits to the ports.

Directors have attended the "Director's Training" pertaining to "Notifiable transactions and guideline on disclosure of inside information" in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and good corporate governance practices.

In 2017, a total of 932.5 training hours completed by the employees.

Training for Full Time Employees

Number of Employees Attended Training Grading of Position

	Male		Female		
	Number of	Number of	Number of	Number of	% of
	Employees	Employees	Employees	Employees	Employee
	under this	Attended	under this	Attended	Attended
Position	category	Training	category	Training	Training
Senior Management	8	7	2	2	90%
Middle Management	12	11	8	7	90%
Junior Management	5	5	8	8	100%
Executive	23	12	41	36	75%
Non-Executive	48	4	21	6	14.5%
Total	96	39	80	59	55.7%

Society and Community Involvement

During the Year, we have supported the non-profitable and charitable organizations with the aim of improving the wellbeing of the underprivileged in the community in which we operate in. The involvements include both monetary and non-monetary support through participations in these charitable events. Contributions that were made to the community during the Year were:

Fund Raising in support of the National Cancer Society Malaysia

Conducted fundraising activity for the National Cancer Society Malaysia to cancer patients.

Sponsored and participated in the Childhood Cancer Awareness Run

The Worldgate team has participated in the run and sponsorships with the aim to spread Cancer awareness to the current and future generations of the community. These wonderful and charming children diagnosed with childhood cancer were fighting against the disease with perseverance and determination.

Visiting Orphanage home "Lotus Charity Care Centre"

Contributed to the supply of basic necessity such as school uniforms, shoes, school fees as well as toys, gifts and games to bring joy to these wonderful children.



KPIs

Number of Employees

By Age Group			2017	2016
Under 30			78	89
30–50			88	88
Over 50			10	8
Total Number of Employees			176	185
	2017		201	6
By Gender	Male	Female	Male	Female
Total Number of Employees	96	80	105	80
	2017		201	6
Proportion of Male to Female Employee	1:0.83		1:0.75	
			2017	2016
Number of New Employees			31	52
Percentage of New Employees over Total Employees			17.61%	28.11%
			2017	2016
Number of Resigned Employees			60	50
Total Employees turnover rate			34.09%	27.03%



Promoting Diversity

One of the goals set out by the Group was the promotion of an active roles for female employees in the workplace to achieve a ratio of 30% or more females among new employees to be hired for career positions. The target was successfully achieved. Female employees now accounted for 45.45 % of the new employees joining the Group for the Year.

Moving forward, we strive for a gender status quo and will continue our hiring and career efforts in support of women for their careers' advancements in the workplace. Training programs were conducted to promote, upskills, encourage and promote women to play an active role in the organization so as to keep them on the job.

Employment, Development and Training

The key to high performance lies in the recruitment, training and development of employees. The Group's human resources policies and guidelines stipulated in the employee's handbook were in compliance with the relevant labour laws and regulations of the local government.

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 develop them continually. Consequently, career development is enshrined in the Group's Philosophy and Values. The policies cover remuneration, dismissal, recruitment and promotion, working hours, leaves, equal opportunities, diversity and other fringe benefits. The Group recognizes that its future success relies on its employees of whom are its invaluable assets.

The Group recruits its employees based on their industry experience and interpersonal skills in line with its Staff Retention Program aimed at attracting and retaining talent. Employee's performance and competency review were evaluated in the context of individual roles on a yearly basis. In addition, the best measure of an effective training is the development of the top to bottom line of the company.

Performance expectations for employees were systemized via a "KPI" system practiced by the Group. The KPI's were linked to their respective objectives for each employee and evaluated along 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" and keeping track of them through talent management process based upon their Ambition, Ability, Agility, Achievement and Passion.

Trainings were provided by 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, Induction Training program followed by on-the-job training were provided during their probationary period and the progress will be closely monitored and reviewed. Department heads were encouraged to propose the training syllabus to the human resource in accordance with the needs to upskill the employees to be conversant with the industry trends and challenges.

During the Year, the Group has organized several recreational activities and trainings for the employees and they are as follows:

- Skytrex Recreational event;
- Badminton tournaments; and
- Bowling Tournaments.

The Group has collaborated with local Universities through internship Programs to train new graduates and to develop their skills. The internship program provides great opportunity for these young and potential talents to experience a real working life in a good learning environment. Allowances were provided for their daily expenses in line with the Group's Corporate Social Responsibilities. Department Head were assigned to brief and train the interns with full commitment, dedication and devotion. Good and capable ones will be subsequently trained and retained as permanent staffs.

A Learning Culture

In a fast-growing society, human capital is becoming the prerequisite for a sustainable business growth. Competency improvement on the other hand, is essentially vital in the development of a knowledge-based and competent team. The Group encourages a good learning and reading attitude for career progression and for the nourishment of innovation and creativities.

The Group's "Fusion of Employee's Awareness" aims to impart a good learning culture, adaptability, SHES and brand awareness and a sense of belonging towards developing a World-Class Team. The Group has conducted "Team Building Program" 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

The Freight Forwarding and Logistics Industry has been evolving rapidly. The Group has identified and extended its product and service diversity by incorporating Total Quality Assurance as an integral part of the Group's pursuit for Service Excellence.

The setting up of the Business Development Unit to conduct research on market trends and big data analytics serve to further enhance its competitiveness and market share.

Labour Standards

The Group fully agreed that employing child labour and forced labour is a violation of basic human rights and international labour conventions, and poses threats to the sustainable development of the society and economy. We have put in place human resources policies and guidelines in compliance with the relevant employment laws and regulations of the local governments. 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 relevant laws and regulations of the local governments.

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 and 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. We will review the qualifications and performance of suppliers including quality, price, delivery lead time, complaint history and financial stability on a regular basis and we will take all reasonable efforts to conduct appropriate inspections and checks to our suppliers. We expect that they adhere to the same high social, ethical and environmental standards that we do.

During the Year, the Group was not aware of any key suppliers and/or subcontractors that has any significant (actual and/or potential) negative impact on the business ethics, environmental protection and labour practices.

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 rights to these brands. The Group's mission statement of "Service with Security" emphasises the Group's focus on helping customers to manage their cargo in a safe and secure manner, so as to minimise 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 global position system. The Group's management team members have equipped themselves with risk management knowledge by having attended risk management training, including 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 force headed by Mr. Chin Seng Leong, our Chief Executive Officer, to ensure compliance of 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 set up a customer services department that are in charge of handling customer complaints. All complaints will be recorded essentially on our internal system which records the details of complaint, monitors the handling and progress of the complaint and records the results of the resolution. We are also committed to protecting customer's personal data. The Group takes all necessary steps to ensure that all customer's data processed by us are processed fairly and lawfully. All of our employees and third party service providers who have access to customer's data are required to respect its confidentiality.

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

Anti-Corruption

The Group attach great importance to the corporate culture of honesty and integrity to positively maintain our corporate image. 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 laws. The Group monitors closely the conduct of its management staffs 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 Group has implemented the whistle blowing reporting procedures. Any person may report allegations of suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Group, the Group's customers, shareholders, employees, investors or the public at large.

- Acts of misconduct may be disclosed in writing, 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; and
- The Group will conduct an internal investigation where criminality is suspected, any suspected corruption or other forms of criminality will be reported to the relevant authorities.

During the Year, the Group was not aware of any incidents of non-compliance with relevant laws and regulations regarding bribery, extortion, fraud and money laundering.



"Environmental, Social and Governance (ESG) Reporting Guide" Content Index

Aspe	ects	Description	Page index
A1:	Emissions General Disclosure	Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste; and	4 to 6
A2:	Use of Resources General Disclosure	KPIs Policies on the efficient use of resources, including energy, water and other raw materials; and	5 to 6
A3:	The Environment and Natural Resources General Disclosure	KPIs Policies on minimising the issuer's significant impact on the environment	6
B1:	Employment	and natural resources.	
	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; and KPIs	7 to 11
B2:	Health and Safety General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards; and KPIs	3 to 4



Aspects		Description	Page index	
B3:	Development and Training			
	General Disclosure	Policies on improving employees' knowledge and skills for discharging	7 to 8	
		duties at work. Description of training activities; and		
		KPIs		
B4:	Labour Standards			
	General Disclosure	Information on:	11	
		(a) the policies; and		
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
		relating to preventing child and forced labour.		
B5:	Supply Chain Management			
	General Disclosure	Policies on managing environmental and social risks of the supply chain.	11	
B6:	Product Responsibility			
	General Disclosure	Information on:	12	
		(a) the policies; and		
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
		relating to health and safety, advertising, labelling and privacy matters		
		relating to products and services provided and methods of redress.		
B7:	Anti-corruption			
	General Disclosure	Information on:	12	
		(a) the policies; and		
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
		relating to bribery, extortion, fraud and money laundering.		
B8:	Community Investment			
	General Disclosure	Policies on community engagement to understand the needs of the	8	
		communities where the issuer operates and to ensure its activities take into		
		consideration the communities' interests.		