

WORLDGATE GLOBAL LOGISTICS LTD

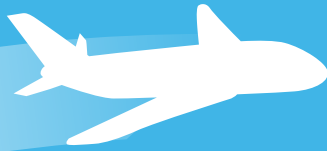
盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8292



Interim Report 2021



CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors (the “**Directors**”) of WORLDGATE GLOBAL LOGISTICS LTD (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately RM38.8 million for the six months ended 30 June 2021, increased by approximately 14.4% as compared to that of the same period in 2020.
- The gross profit amounted to approximately RM4.5 million for the six months ended 30 June 2021, decreased by approximately 16.8% as compared to that of the same period in 2020.
- The Group recorded a net loss of approximately RM4.0 million for the six months ended 30 June 2021.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021.



FINANCIAL RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2021 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Revenue	4	21,042	17,998	38,809	33,914
Cost of services		(18,487)	(14,924)	(34,312)	(28,511)
Gross profit		2,555	3,074	4,497	5,403
Other revenue		389	595	620	685
Share of loss from an associate		(503)	–	(401)	–
Administrative expenses		(4,351)	(4,658)	(8,253)	(8,006)
Finance costs		(114)	(275)	(385)	(473)
Loss before income tax expense	5	(2,024)	(1,264)	(3,922)	(2,391)
Income tax expense	7	(74)	(64)	(122)	(145)
Loss for the period		(2,098)	(1,328)	(4,044)	(2,536)
Other comprehensive income/(expenses):					
<i>Items that may be reclassified subsequently to profit or loss</i>					
– Exchange differences on translation foreign operations		(441)	73	771	576
Total comprehensive expenses for the period		(2,539)	(1,255)	(3,273)	(1,960)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
(Loss) profit for the period attributable to					
Owners of the Company		(2,136)	(1,328)	(4,118)	(2,536)
Non-controlling interests		38	–	74	–
		(2,098)	(1,328)	(4,044)	(2,536)
Total comprehensive expense for the period attributable to					
Owners of the Company		(2,577)	(1,255)	(3,347)	(1,960)
Non-controlling interests		38	–	74	–
		(2,539)	(1,255)	(3,273)	(1,960)
Loss per share			(Restated)		(Restated)
Basic and diluted loss per share	8	(1.6) sen	(1.7) sen	(3.3) sen	(3.2) sen



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) RM'000	As at 31 December 2020 (Audited) RM'000
Non-current assets			
Property, plant and equipment		19,181	15,733
Right-of-use assets		5,952	6,343
Goodwill		604	–
Interest in an associate		2,990	3,292
		28,727	25,368
Current assets			
Inventory		1,430	–
Trade and other receivables	9	23,338	18,256
Financial assets at fair value through profit or loss		4,381	5,248
Tax recoverable		58	179
Cash and cash equivalents		13,361	13,712
		42,568	37,395
Current liabilities			
Trade and other payables	10	8,786	4,220
Contract liabilities		–	398
Bank borrowings, secured		2,429	1,795
Hire purchase payable		479	–
Lease liabilities		1,588	1,324
		13,282	7,737
Net current assets		29,286	29,658
Total assets less current liabilities		58,013	55,026

	<i>Notes</i>	As at 30 June 2021 (Unaudited) RM'000	As at 31 December 2020 (Audited) RM'000
Non-current liabilities			
Deferred tax liabilities		334	334
Bank borrowings, secured		10,791	10,154
Lease liabilities		103	1,375
		11,228	11,863
Net assets		46,785	43,163
Capital and reserves			
Share capital	11	8,323	5,230
Reserves		36,897	37,933
Equity attributable to owners of the Company		45,220	43,163
Non-controlling interests		1,565	-
Total equity		46,785	43,163



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	(Unaudited)							
	Attributable to Owners of the Company							
	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000	(Accumulated losses)/ retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total RM'000
Balance at 1 January 2020	4,154	29,425	16,972	(348)	(9,261)	40,942	-	40,942
Loss for the period	-	-	-	-	(2,536)	(2,536)	-	(2,536)
Other comprehensive (expense)/ income for the period	-	-	-	576	-	576	-	576
Balance at 30 June 2020	4,154	29,425	16,972	228	(11,797)	38,982	-	38,982

	(Unaudited)							
	Attributable to Owners of the Company							
	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000	(Accumulated losses)/ retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total RM'000
Balance at 1 January 2021	5,230	32,526	16,972	(703)	(10,862)	43,163	-	43,163
Issue of shares in relation to the acquisition of a subsidiary	1,045	1,196	-	-	-	2,241	-	2,241
Issue of ordinary shares under general mandate pursuant to the placing agreement	2,048	1,115	-	-	-	3,163	-	3,163
Acquisition of a subsidiary	-	-	-	-	-	-	1,491	1,491
Loss for the period	-	-	-	-	(4,118)	(4,118)	74	(4,044)
Other comprehensive (expense)/ income for the period	-	-	-	771	-	771	-	771
Balance at 30 June 2021	8,323	34,837	16,972	68	(14,980)	45,220	1,565	46,785

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Net cash (used in)/generated from operating activities	(5,794)	(5,510)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,440)	(21)
Proceeds from disposal of property, plant and equipment	–	65
Acquisition of a subsidiary	(1,209)	–
Interest received	69	153
Net cash (used in)/generated from investing activities	(2,580)	197
Cash flows from financing activities		
Proceeds from issuance of shares	5,404	–
Addition/(repayment) of bank borrowings	1,271	(477)
Repayment of lease liabilities	(1,008)	–
Proceeds from hire purchase	479	–
Interest paid on bank borrowings	(367)	(340)
Interest paid on lease liabilities	(18)	(133)
Transactions with non-controlling interests	1,491	–
Net cash generated from/(used in) financing activities	7,252	(950)
Net decrease in cash and cash equivalents	(1,122)	(6,263)
Effects of exchange rate changes on cash and cash equivalents	771	576
Cash and cash equivalents at beginning of period	13,712	21,265
Cash and cash equivalents at end of period	13,361	15,578



NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

1. Corporate Information and Reorganisation

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 Company's shares (the "**Shares**") were listed on the GEM of the Stock Exchange on 6 July 2016 (the "**Listing**"). 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 and Malaysia are located at Unit 5D, Hang Cheong Factory Building, No. 1 Wing Ming Street, Kowloon, Hong Kong and No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia, respectively.

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.

2. Basis of Preparation and Accounting Policies

These unaudited condensed financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value. The functional currency of the Company is Hong Kong dollars ("**HK\$**"), while the unaudited condensed consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), which is the functional currency of the Company's major subsidiaries.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"), except for the adoption of the new and revised HKFRSs, which are effective for the financial year beginning on or after 1 January 2020. The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2020 Annual Report.

3. Segment Information

(a) Business segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The following summary describes the operations in each of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Freight forwarding and related services	15,866	17,998	30,259	33,914
Manufacturing and trading of plastic product	5,176	–	8,550	–
	21,042	17,998	38,809	33,914

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is measure of adjusted loss before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation except that interest income as well as head office and corporate expenses are excluded from such measurement.



3. Segment Information (Continued)

(a) Business segment (Continued) For the six months ended 30 June:

	Freight forwarding and related services		Manufacturing and trading of plastic product		Total	
	2021	2020	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Revenue from external customer	30,259	33,914	8,550	-	38,809	33,914
Reportable segment (loss)/profit	(2,656)	410	151	-	(2,505)	410
Interest income	69	153	-	-	69	153
Finance costs	(298)	(473)	(87)	-	(385)	(473)
Depreciation of property, plant and equipment and right-of-use assets						
- Allocated	(1,706)	(2,238)	(376)	-	(2,082)	(2,238)
- Unallocated					-	(243)
					(4,903)	(2,391)
Taxation	(60)	(145)	(62)	-	(122)	(145)

(b) Geographic information

Information about the Group's revenue from external customers is presented based on the location of the operation. For revenue from cross-border transportation 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.

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Malaysia (place of domicile)	10,962	11,367	21,232	23,164
The People's Republic of China ("PRC") including Hong Kong	4,904	6,631	9,027	10,750
Vietnam	5,176	-	8,550	-
	21,042	17,998	38,809	33,914

4. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Air freight forwarding and related services	2,518	4,346	5,288	8,848
Sea freight forwarding and related services	6,531	6,664	13,766	13,525
Trucking and warehouse and related services	6,817	6,988	11,205	11,541
Goods under manufacturing and trading of plastic products segment being transferred at a point of time:				
Manufacturing and trading of plastic products	5,176	–	8,550	–
	21,042	17,998	38,809	33,914

5. Loss before Income Tax Expense

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Loss before income tax expense is arrived at after charging:				
Depreciation of property, plant and equipment:				
– owned	957	1,185	1,821	1,431
– rights of use assets	124	404	261	807
Employee costs (including director's remuneration)	3,827	2,826	7,223	6,142
Finance costs				
– bank overdrafts	11	15	37	32
– bank borrowings	103	159	322	308
– finance lease	–	–	8	–
– lease liabilities	–	101	18	133



6. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: nil).

7. Income Tax Expense

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

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Current tax – Malaysia income tax – charge for the period	30	39	60	120
Vietnam income tax – charge for the period	44	–	62	–
Hong Kong profits tax – charge for the period	–	25	–	25
Deferred tax – charge for the period	–	–	–	–
Income tax expense	74	64	122	145

Malaysian income tax is calculated at the statutory rate of 24% (2020: 24%) of the estimated taxable profit for the period. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 18% (2020: 18%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2020: 24%).

Hong Kong profits tax is provided at tiered rates of 8.25% on the first HK\$2 million and 16.5% for the remainder (2020: 16.5%) on estimated assessable profits arising from Hong Kong during the period. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Vietnam income tax is calculated at the statutory rate of 20% of the estimated taxable profit for the period.

8. Loss per Share

The calculation of loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods.

The calculation on basic and diluted loss per share is based on the following information:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Loss				
Loss for the period attributable to owners of the Company	2,136	1,328	4,118	2,536

	Number of shares			
	(Restated)		(Restated)	
Shares				
Weighted average number of ordinary shares in issue during the period	134,610,989	80,000,000	125,423,204	80,000,000

- (a) 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 (“China Elegant”) 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.
- (b) Share consolidation of 10 shares into 1 Consolidated share of the Company had been completed on 18 January 2021. The authorised share capital of the Company becomes HK\$10,000,000 divided into 100,000,000 Consolidated Shares of HK\$0.1 each, which are fully paid or credited as fully paid.



8. Loss per Share (Continued)

- (c) In order to undertake the acquisition mentioned in (a), the Company required to issue an aggregate of 20,000,000 consideration shares. The Board proposes to increase the Company's authorised share capital from HK\$10,000,000 divided into 1,000,000,000 shares (equivalent to 100,000,000 consolidated shares assuming the share consolidation has become effective) to HK\$100,000,000 divided into 10,000,000,000 Shares (equivalent to 1,000,000,000 consolidated shares) by the creation of an additional 9,000,000,000 shares (equivalent to 900,000,000 consolidated shares). On 18 January 2021, the increase in authorised share capital has become effective.
- (d) On 26 February 2021, the Group and the placing agent entered into the placing agreement pursuant to which the Company appointed the placing agent 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 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.
- (e) On 31 May 2021, the Group and the placing agent entered into the placing agreement pursuant to which the Company appointed the placing agent 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 and other expenses incurred in the placing, are approximately HK\$3,820,000. The Company intends to apply all the net proceeds for general working capital of the Group.

The weighted average number of ordinary shares used for the purposes of calculating basic loss per share for the three months and six months ended 30 June 2021: 125,423,204 (2020 (restated): 80,000,000).

The weighted average of ordinary shares for 2020 have been restated to reflect the bonus issue of ordinary shares of the Company that took place during the interim period ended 30 June 2021.

9. Trade and Other Receivables

The average credit period granted to trade debtors ranging from 30–120 days from the invoice date.

An aging analysis, based on invoice dates, as of the end of the reporting period is as follow:

	As at 30 June 2021 (Unaudited) RM'000	As at 31 December 2020 (Audited) RM'000
Within 1 month	10,350	6,141
1 to 2 months	3,093	2,499
2 to 3 months	3,111	2,472
Over 3 months	1,901	5,154
	18,455	16,266
Deposits, prepayment and other receivables	4,883	1,990
	23,338	18,256

At the end of each of the reporting periods, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment has been recognized as at 30 June 2021 and 31 December 2020. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.



10. Trade and Other Payables

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

An aging analysis, based on invoice dates, as of the end of reporting period is as follow:

	As at 30 June 2021 (Unaudited) RM'000	As at 31 December 2020 (Audited) RM'000
Current or less than 1 month	5,854	1,985
1 to 2 months	612	141
2 to 3 months	109	81
More than 3 months but less than 12 months	309	155
Accruals and other payables	6,884	2,362
Amount due to a shareholder (<i>note</i>)	1,902	1,702
	-	156
	8,786	4,220

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

11. Share Capital

	Number of shares	Amount RM'000	Amount HK'000
Authorised:			
Ordinary share of HK\$0.01 each			
At 1 January 2020 and 31 December 2020	1,000,000,000	5,383	10,000
At 30 June 2021 (after shares consolidation)	1,000,000,000	53,830	100,000
Issued and fully paid:			
At 1 January 2020	800,000,000	4,154	8,000
At 31 December 2020	1,000,000,000	5,230	10,000
At 30 June 2021 (after shares consolidation)	158,400,000	8,323	15,840

12. Related Party Transactions

The remuneration of directors and other members of key management were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Wages and salaries	268	243	535	481
Contributions to retirement benefits schemes	5	5	10	10
	273	248	545	491



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Integrated Logistic Service Business

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

For the six months ended 30 June 2021, our integrated logistics services can be broadly categorized into (1) air freight forwarding and related services; (2) sea freight forwarding and related services; and (3) transportation and warehousing related services.

1. *Air Freight Forwarding and Related Services*

The revenue from the air freight services accounted for approximately RM5.3 million and RM8.8 million for the six months ended 30 June 2021 and 2020, respectively. Revenue from air freight services mainly consists of fee of import & export air freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to air freight. Such revenue is mainly driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume of the Group's air freight forwarding and related services during the period ended 30 June 2021 and 2020 is set out in the table as below:

	Six months ended 30 June	
	2021 '000 kg	2020 '000 kg
Air freight shipment volume		
(a) Export	2,953	2,223
(b) Import	735	879
	3,688	3,102

2. Sea Freight Forwarding and Related Services

The revenue from the sea freight services accounted for approximately RM13.8 million and RM13.5 million for the six months ended 30 June 2021 and 2020, respectively. Revenue from sea freight services mainly consists of fee of import & export sea freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to sea freight. Such revenue is driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume in Twenty-foot Equivalent Unit ("TEU") of the Group's sea freight forwarding and related services during the period ended 30 June 2021 and 2020 is set out in the table as below:

	Six months ended 30 June	
	2021 TEU	2020 TEU
Sea freight shipment volume		
(a) Export	3,240	4,236
(b) Import	2,681	3,953
	5,921	8,189



3. *Trucking 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.

The revenue from the trucking services which does not involve air freight or sea freight accounted for approximately RM11.2 million and RM11.5 million for the six months ended 30 June 2021 and 2020, respectively. 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 as 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% of the Group's total revenue for the six months ended 30 June 2021 (2020: less than 1%).

Manufacturing and Trading of Plastic Products

On 28 January 2021, the Group acquired the entire issued share capital of China Elegant 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 six months ended 30 June 2021, the Group recorded a revenue from the manufacturing and trading of plastic products approximately RM8.6 million.

Future Prospects and Outlook

The Group aims to strengthen its position as an integrated logistics solution service provider in both Hong Kong and Malaysia. The Directors believe that there are (i) still plenty of room for growth for business in Penang given the fact that companies continue to set up new manufacturing plants in Penang; (ii) new business opportunities in Malacca, Johor and border of Thailand upon opening up of the borders of the ASEAN countries; and (iii) 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.

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

Financial Review

Revenue

The Group's total revenue amounted to approximately RM38.8 million and RM33.9 million for the six months ended 30 June 2021 and 2020, respectively. Majority of the Group's income was attributable to sea freight forwarding and related service. For the six months ended 30 June 2021, approximately 28.9% and 13.6% of the Group's revenue was attributable to trucking and warehouse services and air freight forwarding and related services, respectively.

Revenue for the six months ended 30 June 2021 increased by approximately 14.4% or approximately RM4.9 million as compared to that of the same period in 2020. The increase was mainly due to (i) the increased of sea freight forwarding and related services, approximately RM0.3 million; (ii) the increased of new business of manufacturing and trading of plastic products in Vietnam, approximately RM8.6 million; for the six months ended 30 June 2021.



Cost of Services

Major components of the cost of services 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.

The cost of services for the six months ended 30 June 2021 increased by approximately 20.3% or RM5.8 million as compared to the same period in 2020. The increase was mainly due to (i) the increased of new business of manufacturing and trading of plastic products, approximately RM7.4 million; (ii) the decreased of integrated logistic service business, approximately RM1.6 million; for the six months ended 30 June 2021.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 16.8% from RM5.4 million for the six months ended 30 June 2020 to RM4.5 million for the six months ended 30 June 2021. It was mainly due to the cost of services increased by 20.3% for the six months ended 30 June 2021. With the combined effects of revenue and cost of services, the Group's gross profit margin decrease from 15.9% for the six months ended 30 June 2020 to 11.6% for the six months ended 30 June 2021.

Administrative Expenses

The administrative expenses were approximately RM8.3 million for the six months ended 30 June 2021 (2020: RM8.0 million). The administrative expenses mainly consist staff cost, utilities expense and depreciation of property, plant and equipment.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings, finance lease and lease liabilities. For the six months ended 30 June 2021 and 2020, financial cost amounted to approximately RM385,000 and RM473,000, respectively.

Loss for the Period and Loss per Share

The Group recorded a loss of approximately RM4.0 million for the six months ended 30 June 2021 (2020: RM2.5 million). The Group's loss per share for the six months ended 30 June 2021 was RM3.3 sen (2020: RM3.2 sen (restated)).

Liquidity, Financial Resources and Capital Structure

As at 30 June 2021,

- (a) the Group's net current assets was approximately RM29.3 million (31 December 2020: RM29.7 million) and the Group had cash and cash equivalents of approximately RM13.4 million (31 December 2020: RM13.7 million);
- (b) the Group had bank borrowings and lease liabilities of approximately RM13.2 million (31 December 2020: RM11.9 million) and RM1.7 million (31 December 2020: RM2.7 million);
- (c) the Group's current ratio was approximately 3.2 times (31 December 2020: 4.8 times). The gearing ratio is calculated by dividing total debt by total equity at the end of the respective periods. The Group's gearing ratio was approximately 31.9% (31 December 2020: 33.9%);
- (d) the Group's total equity attributable to owners of the Company amounted to RM46.8 million (31 December 2020: RM43.2 million). The capital of the Company mainly comprises share capital and reserves.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: nil).

Contingent Liabilities

As at 30 June 2021, the Group did not have any bank guarantees of the Group (31 December 2020: nil) 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.

Pledge of Assets

At the 30 June 2021, certain of the Group's land and buildings with net carrying amount of RM13.0 million (31 December 2020: RM13.0 million) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Capital Commitments

As at 30 June 2021, the Group did not have any capital commitments related to purchase of property, plant and equipment (31 December 2020: nil).



Material Acquisitions and Disposals of Subsidiaries

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 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 have been allotted and issued by the Company at the issue price of HK\$0.33 each for the settlement of the consideration.

Significant Investments Held by the Group

As at 30 June 2021, there was no significant investment held by the Group (31 December 2020: nil).

Future Plan for Material Investments and Capital Assets

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.

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 30 June 2021 and 31 December 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

The Group has a total of 191 and 198 full-time employees as at 30 June 2021 and 31 December 2020 respectively. The total employee remuneration including remuneration of the Directors for the six months ended 30 June 2021 amounted to RM7.2 million (2020: RM6.1 million). The Group recognizes 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.

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 30 June 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 b. Establishment of office in Padang Besar, Perlis, Malaysia (Thailand border) and warehouse in Penang c. Additional cost for upgrading requirements of the new offices	The Group is in progress of hiring more new sales staff to promote and further expand Northern, Southern & Central region markets. A new sales executive has been hired to further expand the markets in Peninsular Malaysia. Reallocation of HK\$11.8 million for setting up the logistic business in Hong Kong.



Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
<p>2. Expand the scope of services</p>	<p>a. Engagement of market research team to conduct research in rail freight services</p> <p>b. Cost of establishing a small business development team</p>	<p>The Group has conducted market research on an in-house 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.</p> <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 & 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 & awning.</p> <p>Reallocated the remaining HK\$3.9 million for setting up the logistic business in Hong Kong.</p>

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
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. Hiring of new IT personnel to oversee the IT Department.
	c. Further improvement of IT function	The Group has implemented the TMS system which compatible with international express services, postal solutions, and capabilities to organize different customers pricing scheme and accounts 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.



Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
5. Grow the business strategically through business acquisitions in Singapore	<ul style="list-style-type: none"> a. Payment for potential targets b. Consideration for acquisition 	Reallocation of HK\$15 million for setting up the logistics business in Hong Kong and HK\$2.7 million as general working capital.
6. Setting up the logistic business in Hong Kong	<ul style="list-style-type: none"> a. Cost for establishing operation team b. Recruitment cost for new talents c. Purchase of warehouse system 	<p>The Group has built up the operation team and delegate the management team to oversee the business operation.</p> <p>New talents were hired for setting up the logistics business with the stable improvement.</p> <p>The Group has purchased the Oder Management and Fulfillment System for supporting the e-business activities on merchandising, fulfilment and warehousing management.</p>

Use of Proceeds from Placing

The net proceeds from the Placing (after deducting underwriting fees and estimated expenses payable by the Group in connection with the Placing) 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 Placing has 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	Changed use of net proceeds as stated in the announcement		Actual use of proceeds during the Relevant Period	Remaining balance after revised use of proceeds	Expected timeline of fully utilisation of the balance
		3 February 2021	dated			
	HK\$' million	HK\$' million		HK\$' million	HK\$' million	
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		5.6	0.9	End of 2021
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		19.5	11.2	End of 2021
7. Repay loans	3.4	3.4		3.4	-	-
8. Working Capital	4.7	7.4		7.4	-	-
Total	51.6	51.6		39.5	12.1	



Use of Proceeds from the Company's Share Placing

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.

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

Date of announcement	Fund raising activity	Planned use of proceeds HK\$'000	Actual use of proceeds up to 30 June 2021 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	206
		5,700	2,106

The unused balance with the amount of approximately HK\$3,594,000 is placed with reputable banks as the Group's bank deposits.

OTHER INFORMATION

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

As at 30 June 2021, none of the Directors and the chief executives of the Company has any interest or short positions 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 of Hong Kong Limited (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, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange, pursuant to the GEM Listing Rules relating to securities transactions by the Directors.

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

As at 30 June 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 ⁽¹⁾	Percentage of shareholding
JL Investments Capital Limited (“ JL Investments ”)	Person having a security interest in shares ⁽²⁾	10,530,000 (L)	6.65%
Mr. Lau Chi Yuen, Joseph (“ Mr. Lau ”)	Interest in controlled corporation ⁽²⁾	10,530,000 (L)	6.65%
Mr. Zhong Xian Wen (“ Mr. Zhong ”)	Interest in controlled corporation ⁽³⁾	16,000,000 (L)	10.10%



Name of shareholders	Capacity/ Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding
Crown World Investments Limited (" Crown World ")	Beneficial owner ⁽³⁾	16,000,000 (L)	10.10%
Noble Might Limited (" Noble Might ")	Interest in controlled corporation ⁽⁴⁾	20,000,000 (L)	12.62%
Ms. Chan Ka Wai (" Ms. Chan ")	Interest in controlled corporation ⁽⁴⁾	20,000,000 (L)	12.62%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares.
- (2) Mr. Lau has 100% of direct interest in JL Investments. Therefore, Mr. Lau is deemed to be interested in 10,530,000 Shares held by JL Investments.
- (3) Mr. Zhong has 100% of direct interest in Crown World. Therefore, Mr. Zhong is deemed to be interested in 16,000,000 Shares held by Crown World.
- (4) Ms. Chan has 100% of direct interest in Noble Might. Therefore, Ms. Chan is deemed to be interested in 20,000,000 Shares held by Noble Might.

Save as disclosed above, as at 30 June 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.

Share Option Scheme

The Company has adopted the share option scheme 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 30 June 2021, there were a total of 15,840,000 Shares, representing 10% 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.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Competing Interests

As confirmed by the Directors, the Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group during the six months ended 30 June 2021.

Directors' Securities Transactions

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 six months ended 30 June 2021.



Corporate Governance Code

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Save for the deviation from CG Code provision A.2.1, the Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**") and in relation to, among others, our Directors, Chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

The Board understands the importance of the Chief Executive Officer. Hence, the Group will recruit a suitable person who has an extensive understanding of the Group's business as soon as possible to manage the day-to-day business.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code for the six months ended 30 June 2021.

Audit Committee

The Company established the audit committee of the Company (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 as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises all independent non-executive Directors: Mr. Wong Siu Keung Joe, Mr. Ma Kin Hung and Ms. Wong Hoi Yan, Audrey. Mr. Wong Siu Keung Joe is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

The Interim Financial Statements have not been audited by the Company's auditor, but have been reviewed by the Audit Committee.

By order of the Board
WORLDGATE GLOBAL LOGISTICS LTD
Lai Kwok Hei
Chairman

Hong Kong, 11 August 2021