

WORLDGATE GLOBAL LOGISTICS LTD

盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8292





CHARACTERISTICS OF 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 RM68.1 million for the six months ended 30 June 2022, increased by approximately 75.6% as compared to that of the same period in 2021.
- The gross profit amounted to approximately RM8.0 million for the six months ended 30 June 2022, increased by approximately 77.0% as compared to that of the same period in 2021.
- The Group recorded a net loss of approximately RM3.9 million for the six months ended 30 June 2022.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.



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 2022 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Revenue	4	29,530	21,042	68,142	38,809
Cost of sales		(25,927)	(18,487)	(60,184)	(34,312)
Gross profit		3,603	2,555	7,958	4,497
Other revenue		759	389	1,344	620
Share of loss from an associate		(383)	(503)	(836)	(401)
Administrative expenses		(7,359)	(4,351)	(11,839)	(8,253)
Finance costs		(267)	(114)	(483)	(385)
Loss before income tax expense	5	(3,647)	(2,024)	(3,856)	(3,922)
Income tax expense	7	(25)	(74)	(51)	(122)
Loss for the period		(3,672)	(2,098)	(3,907)	(4,044)
Other comprehensive income/(expenses):					
<i>Items that may be reclassified subsequently to profit or loss</i>					
– Exchange differences on translation foreign operations		1,617	(441)	1,719	771
Total comprehensive expenses for the period		(2,055)	(2,539)	(2,188)	(3,273)



	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
(Loss) profit for the period attributable to					
Owners of the Company		(3,720)	(2,136)	(4,053)	(4,118)
Non-controlling interests		48	38	146	74
		(3,672)	(2,098)	(3,907)	(4,044)
Total comprehensive expense for the period attributable to					
Owners of the Company		(2,103)	(2,577)	(2,334)	(3,347)
Non-controlling interests		48	38	146	74
		(2,055)	(2,539)	(2,188)	(3,273)
		RM	RM	RM	RM
Loss per share					
Basic and diluted loss per share	8	(0.59) sen	(1.6) sen	(0.64) sen	(3.3) sen



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) RM'000	As at 31 December 2021 (Audited) RM'000
Non-current assets			
Property, plant and equipment		17,877	18,708
Right-of-use assets		5,060	5,713
Goodwill		974	926
Interest in an associate		2,200	2,928
		26,111	28,275
Current assets			
Inventory		4,328	4,752
Trade and other receivables	9	32,413	25,165
Financial assets at fair value through profit or loss		1,000	1,000
Cash and cash equivalents		31,848	38,805
		69,589	69,722
Current liabilities			
Trade and other payables	10	16,164	14,634
Contract liabilities		315	300
Bank borrowings, secured		2,948	4,848
Hire purchase payable		231	–
Lease liabilities		1,189	777
Tax payable		132	30
		20,979	20,589
Net current assets		48,610	49,133
Total assets less current liabilities		74,721	77,408



		As at 30 June 2022 (Unaudited) RM'000	As at 31 December 2021 (Audited) RM'000
	<i>Notes</i>		
Non-current liabilities			
Deferred tax liabilities		419	418
Bank borrowings, secured		9,637	9,110
Lease liabilities		–	1,027
		10,056	10,555
Net assets		64,665	66,853
Capital and reserves			
Share capital	11	33,712	33,712
Reserves		29,724	32,058
Equity attributable to owners of the Company		63,436	65,770
Non-controlling interests		1,229	1,083
Total equity		64,665	66,853



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	(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

	(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 2022	33,712	37,382	16,972	184	(22,480)	65,770	1,083	66,853
Loss for the period	-	-	-	-	(4,053)	(4,053)	146	(3,907)
Other comprehensive (expense)/ income for the period	-	-	-	1,719	-	1,719	-	1,719
Balance at 30 June 2022	33,712	37,382	16,972	1,903	(26,533)	63,436	1,229	64,665



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Net cash (used in)/generated from operating activities	(6,370)	(5,794)
Cash flows from investing activities		
Purchases of property, plant and equipment	(154)	(1,440)
Acquisition of a subsidiary	–	(1,209)
Interest received	88	69
Net cash (used in)/generated from investing activities	(66)	(2,580)
Cash flows from financing activities		
Proceeds from issuance of shares	–	5,404
Addition/(repayment) of bank borrowings	(1,373)	1,271
Repayment of lease liabilities	(615)	(1,008)
Proceeds from hire purchase	231	479
Interest paid on bank borrowings	(436)	(367)
Interest paid on lease liabilities	(47)	(18)
Transactions with non-controlling interests	–	1,491
Net cash generated from/(used in) financing activities	(2,240)	7,252
Net decrease in cash and cash equivalents	(8,676)	(1,122)
Effects of exchange rate changes on cash and cash equivalents	1,719	771
Cash and cash equivalents at beginning of period	38,805	13,712
Cash and cash equivalents at end of period	31,848	13,361



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 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, 5/F, 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 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 in Malaysia and Hong Kong, trading of used mobile phones 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 2021 (the "**2021 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 2021. 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 2021 Annual Report.



3. Segment Information

(a) Business segment

The Group determines its operating segments based on the reports reviewed by the Group's Chief Operating Decision-Maker ("CODM"), being the executive directors of the Company, that are used to make strategic decisions.

The Group has three 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:

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Freight forwarding and related services	10,876	15,866	34,927	30,259
Trading of used mobile phones	11,854	–	17,991	–
Manufacturing and trading of plastic product	6,800	5,176	15,224	8,550
	29,530	21,042	68,142	38,809

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 except the 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		Trading of used mobile phones		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	34,927	30,259	15,224	8,550	17,991	-	68,142	38,809
Reportable segment (loss)/profit	(1,434)	(2,656)	218	151	1,459	-	243	(2,505)
Interest income	88	69	-	-	-	-	88	69
Finance costs	(307)	(298)	(176)	(87)	-	-	(483)	(385)
Depreciation of property, plant and equipment and right-of-use assets	(1,165)	(1,706)	(409)	(376)	-	-	(1,574)	(2,082)
Taxation	(51)	(60)	-	(62)	-	-	(51)	(122)

(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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Malaysia (place of domicile)	10,627	10,962	34,046	21,232
The People's Republic of China ("PRC") including Hong Kong	12,103	4,904	18,872	9,027
Vietnam	6,800	5,176	15,224	8,550
	29,530	21,042	68,142	38,809



4. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Services under freight forwarding and related service segment being transferred over time:				
Air freight forwarding and related services	3,695	2,518	18,478	5,288
Sea freight forwarding and related services	6,490	6,531	14,689	13,766
Trading of used mobile phones	11,854	–	17,991	–
Trucking and warehouse and related services	691	6,817	1,760	11,205
	22,730	15,866	52,918	30,259
Goods under manufacturing and trading of plastic products segment being transferred at a point of time:				
Manufacturing and trading of plastic products	6,800	5,176	15,224	8,550
	29,530	21,042	68,142	38,809



5. Loss before Income Tax Expense

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(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	680	957	1,357	1,821
– rights of use assets	107	124	217	261
Employee costs (including director's remuneration)	6,199	3,827	9,002	7,223
Finance costs				
– bank overdrafts	9	11	31	37
– bank borrowings	234	103	400	322
– finance lease	–	–	5	8
– lease liabilities	24	–	47	18

6. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: 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	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Current tax				
Malaysia income tax				
– charge for the period	25	30	51	60
Vietnam income tax				
– charge for the period	–	44	–	62
Hong Kong profits tax				
– charge for the period	–	–	–	–
Deferred tax				
– charge for the period	–	–	–	–
Income tax expense	25	74	51	122

Malaysian income tax is calculated at the statutory rate of 24% (2021: 24%) of the estimated taxable profit for the period. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 17% (2021: 17%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2021: 24%).

Hong Kong profits tax is provided at tiered rates of 8.25% (2021: 8.25%) on the first HK\$2 million and 16.5% for the remainder (2021: 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% (2021: 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	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Loss				
Loss for the period attributable to owners of the Company	3,720	2,136	4,053	4,118
	Number of shares			
Shares				
Weighted average number of ordinary shares for the purposes of basic and diluted loss per shares in issue during the period	633,600,000	134,610,989	633,600,000	125,423,204

- (i) 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.
- (ii) 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.



8. Loss per Share (Continued)

- (iii) 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.

- (iv) 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.

- (v) On 29 July 2021, the Company announced proposing the 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.

The weighted average number of ordinary shares used for the purposes of calculating basic loss per share for the six months ended 30 June 2022 is 633,600,000 (2021: 134,610,989).

Diluted loss per share are same as the basic loss per share as the Group had no dilutive potential ordinary shares during the six months ended 30 June 2022 and 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 2022 (Unaudited) RM'000	As at 31 December 2021 (Audited) RM'000
Within 1 month	14,377	10,495
1 to 2 months	3,172	2,789
2 to 3 months	574	495
Over 3 months	8,727	6,639
	26,850	20,418
Deposits, prepayment and other receivables	5,563	4,747
	32,413	25,165

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 2022 and 31 December 2021. 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 2022 (Unaudited) RM'000	As at 31 December 2021 (Audited) RM'000
Current or less than 1 month	9,037	4,442
1 to 2 months	627	2,093
2 to 3 months	62	1,364
More than 3 months but less than 12 months	1,618	2,993
	11,344	10,892
Accruals and other payables	4,810	3,735
Amount due to a shareholder (<i>note</i>)	10	7
	16,164	14,634

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



11. Share Capital

	Number of shares	Amount HK\$'000	Amount RM'000
Authorised:			
Ordinary shares of HK\$0.01 each as at 1 January 2021	1,000,000,000	10,000	5,383
Increased in authorised shares	900,000,000	90,000	4,703
Share consolidation	(900,000,000)	-	-
As at 31 December 2021, 1 January 2022 and 30 June 2022	1,000,000,000	100,000	10,086
Issued and fully paid:			
As at 1 January 2021	1,000,000,000	10,000	5,230
Share consolidation	(900,000,000)	-	-
Issue of shares in relation to the acquisition of subsidiaries	20,000,000	2,000	1,044
Placing of shares	38,400,000	3,840	2,046
Rights issue	475,200,000	47,520	25,392
As at 31 December 2021, 1 January 2022 and 30 June 2022	633,600,000	63,360	33,712



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	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Wages and salaries	614	268	843	535
Contributions to retirement benefits schemes	110	5	115	10
	724	273	958	545



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.

During the six months ended 30 June 2022, 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) transportation and warehousing and related services.

1. *Air Freight Forwarding and Related Services*

The revenue from the air freight services accounted for approximately RM18.5 million and RM5.3 million for the six months ended 30 June 2022 and 2021, respectively. During the period, Malaysia handles few chartered flight, which led to the air freight services revenue increased by approximately 2.5 times for the period. 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 2022 and 2021 is set out in the table as below:

	For the six months ended 30 June	
	2022 '000 kg	2021 '000 kg
Air freight shipment volume		
(a) Export	3,387	2,953
(b) Import	831	735

2. Sea Freight Forwarding and Related Services

The revenue from the sea freight services accounted for approximately RM14.7 million and RM13.8 million for the six months ended 30 June 2022 and 2021, 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 2022 and 2021 is set out in the table as below:

	For the six months ended 30 June	
	2022 TEU	2021 TEU
Sea freight shipment volume		
(a) Export	2,869	3,240
(b) Import	2,927	2,681



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.

The revenue from the trucking services which does not involve air freight or sea freight accounted for approximately RM1.8 million and RM11.2 million for the six months ended 30 June 2022 and 2021, 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 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 2022 (2021: less than 1%).

Manufacturing and Trading of Plastic Products

On 28 January 2021, the Group acquired the 51% of 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.

The revenue from manufacturing and trading of plastic products accounted for approximately RM15.2 million and RM8.6 million for the six months ended 30 June 2022 and 2021 respectively.



Trading of Used Mobile Phones Business

During the six months ended 30 June 2022, the Group recorded a revenue from the trading of used mobile phones of approximately RM18.0 million (2021: Nil), representing approximately 26.4% of our total revenue. The segment profit before taxation was approximately RM1.5 million (2021: Nil). The Board is of the view that the trading of used mobile phones will diversify the income stream of the Company and broaden its revenue base on logistic services.

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) 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; and (ii) new business opportunities with China 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 and trading of used mobile phone business in Hong Kong in order to absorb more China and international clients. The Board is of the view that the logistics and trading of used mobile phone business will broaden its revenue base. It is expected that it may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

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



Financial Review

Integrated Logistics Services Business

Revenue

The Group's total revenue from the integrated logistics services amounted to approximately RM34.9 million and RM30.3 million for the six months ended 30 June 2022 and 2021, respectively. For the six months ended 30 June 2022, approximately 52.9% and 42.1% of the Group's integrated logistics services revenue was attributable to air freight forwarding and sea freight services, respectively. For the six months ended 30 June 2021, approximately 17.5% and 45.5% of the Group's integrated logistics services revenue was attributable to air freight forwarding and sea freight services, respectively.

Revenue from the integrated logistics services for the six months ended 30 June 2022 increased by approximately 15.4% or approximately RM4.7 million as compared to that of the same period in 2021. The increase was mainly due to revenue from air freight forwarding increase approximately RM13.2 million as compared with the last period.

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 increase in revenue, the cost of sales increased by approximately 18.3% from RM25.7 million for the six months ended 30 June 2021 to RM30.4 million for the six months ended 30 June 2022.

Gross Profit and Gross Profit Margin

The gross profit increase by approximately 36.3% from RM3.3 million for the six months ended 30 June 2021 to RM4.5 million for the six months ended 30 June 2022. It was mainly due to revenue generated from air freight forwarding and related services for the six months ended 30 June 2022 increased by 2.5 times where the weight increased about 14.4% from about 3,688,000 kg for the six months ended 30 June 2021 to about 4,218,000 kg for the six months ended 30 June 2022.



Manufacturing and Trading of Plastic Products

Revenue

The Group's total revenue from manufacturing and trading of plastic products amounted to approximately RM15.2 million for the six months ended 30 June 2022 (2021: RM8.6 million).

Cost of Sales

For the manufacturing and trading of plastic products, the cost of sales amounted to approximately RM13.2 million for the six months ended 30 June 2022 (2021: RM7.4 million).

Gross Profit and Gross Profit Margin

The gross profit of the manufacturing and trading of plastic products amounted to approximately RM2.0 million (2021: RM1.2 million) and the gross profit margin is approximately 13.2% (2021: 13.9%) for the six months ended 30 June 2022.

Trading of Used Mobile Phones

Revenue

The Group's total revenue from the trading of mobile phone phones amounted to approximately RM18.0 million for the six months ended 30 June 2022 (2021: Nil).

Cost of Sales

For the trading of used mobile phones, the cost of sales amounted to approximately RM16.5 million (2021: Nil).

Gross Profit and Gross Profit Margin

The gross profit of the trading of used mobile phones amounted to approximately RM1.5 million (2021: Nil) and the gross profit margin is approximately 8.1% (2021: Nil) for the six months ended 30 June 2022.

Administrative Expenses

The administrative expenses were approximately RM11.8 million for the six months ended 30 June 2022 (2021: RM8.3 million). The administrative expenses mainly consist of staff cost, operating leases and depreciation of property, plant and equipment and right-of-use assets.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings, finance lease and lease liabilities. For the six months ended 30 June 2022 and 2021, financial cost amounted to approximately RM483,000 and RM385,000, respectively.



Liquidity, Financial Resources and Capital Structure

As at 30 June 2022,

- (a) the Group's net current assets was approximately RM48.6 million (31 December 2021: RM49.1 million) and the Group had cash and cash equivalents of approximately RM31.8 million (31 December 2021: RM38.8 million);
- (b) the Group had bank borrowings and lease liabilities of approximately RM12.6 million (31 December 2021: RM14.0 million) and RM1.2 million (31 December 2021: RM1.8 million);
- (c) the Group's current ratio was approximately 3.3 times (31 December 2021: 3.4 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 21.3% (31 December 2021: 23.6%);
- (d) the Group's total equity attributable to owners of the Company amounted to RM63.4 million (31 December 2021: RM65.8 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 2022 (2021: nil).

Contingent Liabilities

As at 30 June 2022, the Group did not have any bank guarantees of the Group (31 December 2021: 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 2022, certain of the Group's land and buildings with net carrying amount of RM13.0 million (31 December 2021: RM13.0 million) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Capital Commitments

As at 30 June 2022, the Group did not have any capital commitments related to purchase of property, plant and equipment (31 December 2021: nil).



Material Acquisitions and Disposals of Subsidiaries

As at 30 June 2022, the Group did not have any material acquisitions and disposals of subsidiaries (31 December 2021: nil).

Significant Investments Held by the Group

As at 30 June 2022, there was no significant investment held by the Group (31 December 2021: nil).

Future Plan for Material Investments and Capital Assets

As at 30 June 2022, the Group did not have future plan for material investments and capital assets (31 December 2021: nil).

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 2022 and 31 December 2021, 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 393 and 381 full-time employees as at 30 June 2022 and 31 December 2021 respectively. The total employee remuneration including remuneration of the Directors for the six months ended 30 June 2022 amounted to RM9.0 million (2021: RM7.2 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 2022 (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
<p>3. Further strengthen the information technology systems</p>	<p>a. Software development (Freight Management 3000)</p> <p>b. Purchase of network equipment and upgrading the computers</p> <p>c. Further improvement of IT function</p>	<p>The Group has replaced the Freight Management 3000 and Sysfreight system with a new integrated system Sovy Logistic Solutions.</p> <p>Upgrading of old computer to new one.</p> <p>Hiring of new IT personnel to oversee the IT Department.</p> <p>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.</p>
<p>4. Attract and retain talented and experienced employees</p>	<p>a. Recruitment costs for new talents</p> <p>b. Additional recruiting cost for new talents</p>	<p>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.</p> <p>The Group has hired new talents to further growth of our business.</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
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 HK\$' million	Changed use	Actual use of proceeds during the Relevant Period HK\$' million	Remaining balance after revised use of proceeds HK\$' million
		of net proceeds as stated in the announcement dated 3 February 2021 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	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	30.7	-
7. Repay loans	3.4	3.4	3.4	-
8. Working Capital	4.7	7.4	7.4	-
Total	51.6	51.6	51.6	-



Use of Proceeds from the Company's Share Placing

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"), after deducting issue expense relating to the Share Placing 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.

On 9 November 2021, the Company approved and implemented the Rights Issue on the basis of three Rights Shares for every one existing Share at the Subscription Price of HK\$0.11 per Rights Share, to raise up to approximately HK\$51.9 million (net of expenses) by issuing up to 475,200,000 Rights Shares to the Qualifying Shareholders.

The 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 2022 HK\$'000
31 May 2021	Share Placing as general working capital	3,800	3,800
9 November 2021	Right issue as working capital for the expansion of logistics services in Hong Kong	51,942	10,876
		55,742	14,676

The unused balance with the amount of approximately HK\$41,066,000 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 2022, 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 2022, 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
Win All Management Limited ("Win All")	Person having a security interest in shares ⁽²⁾	188,360,000 (L)	29.73%
Mr. Ng Hang Fai, Calvin ("Mr. Ng")	Interest in controlled corporation ⁽²⁾	188,360,000 (L)	29.73%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares.
- (2) Mr. Ng has 100% of direct interest in Win All. Therefore, Mr. Ng is deemed to be interested in 188,360,000 Shares held by Win All.



Save as disclosed above, as at 30 June 2022, 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 2022, there were a total of 800,000 Shares, representing 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.

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

During the six months ended 30 June 2022, 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 2022.



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 2022.

Corporate Governance Code

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

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, 10 August 2022

