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WORLDGATE GLOBAL LOGISTICS LTD

盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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*This announcement, 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 announcement 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 announcement misleading.*

FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately RM38.6 million for the three months ended 31 March 2022, increased by approximately 1.2 times as compared to that of the same period in 2021.
- The gross profit amounted to approximately RM4.4 million for the three months ended 31 March 2022, increased by approximately 1.2 times as compared to that of the same period in 2021.
- The Group recorded a net loss of approximately RM0.2 million for the three months ended 31 March 2022.
- The Board does not recommend the payment of interim dividend for the three months ended 31 March 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 ended 31 March 2022 (the “**First Quarterly Financial Statements**”) together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	<i>Notes</i>	2022 (Unaudited) RM’000	2021 (Unaudited) RM’000
Revenue	4	38,612	17,767
Cost of sales		<u>(34,257)</u>	<u>(15,825)</u>
Gross profit		4,355	1,942
Other revenue		585	231
Share of (loss) profit from an associate		(453)	102
Administrative expenses		(4,480)	(3,902)
Finance costs		<u>(216)</u>	<u>(271)</u>
Loss before income tax expense	5	(209)	(1,898)
Income tax expense	7	<u>(26)</u>	<u>(48)</u>
Loss for the period		<u>(235)</u>	<u>(1,946)</u>
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		<u>102</u>	<u>1,212</u>
		<u>102</u>	<u>1,212</u>
Total comprehensive (expenses) for the period		<u>(133)</u>	<u>(734)</u>

		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RM'000	<i>RM'000</i>
(Loss) profit for the period attributable to:			
Owners of the Company		(333)	(1,982)
Non-controlling interests		98	36
		<u> </u>	<u> </u>
		(235)	(1,946)
		<u> </u>	<u> </u>
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		(231)	(770)
Non-controlling interests		98	36
		<u> </u>	<u> </u>
		(133)	(734)
		<u> </u>	<u> </u>
		RM	<i>RM</i>
Loss per share			
Basic and diluted loss per share	8	(0.05) sen	(1.71) sen
		<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 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	Sub-total RM'000	Non-controlling interests RM'000	Total RM'000
					losses)/ retained earnings 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	636	431	-	-	-	1,067	-	1,067
Loss for the period	-	-	-	-	(1,982)	(1,982)	36	(1,946)
Other comprehensive income for the period	-	-	-	1,212	-	1,212	-	1,212
Acquisition of a subsidiary	-	-	-	-	-	-	1,491	1,491
Balance at 31 March 2021	6,911	34,153	16,972	509	(12,844)	45,701	1,527	47,228

(Unaudited)

	Attributable to Owners of the Company							
	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000	(Accumulated	Sub-total RM'000	Non-controlling interests RM'000	Total RM'000
					losses)/ retained earnings 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	-	-	-	-	(333)	(333)	98	(235)
Other comprehensive income for the period	-	-	-	102	-	102	-	102
Balance at 31 March 2022	33,712	37,382	16,972	286	(22,813)	65,539	1,181	66,720

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 First Quarterly 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 First Quarterly 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 31 March	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Freight forwarding and related services	24,051	14,393
Trading of used mobile phones	6,137	–
Manufacturing and trading of plastic product	8,424	3,374
	38,612	17,767

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.

For the three months ended 31 March:

	Freight forwarding and related services		Manufacturing and trading of plastic products		Trading of used mobile phones		Total	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Revenue from external customers	24,051	14,393	8,424	3,374	6,137	–	38,612	17,767
Reportable segment (loss)/profit	273	(1,503)	180	73	361	–	815	(1,430)
Interest income	43	41	–	–	–	–	43	41
Finance costs	(163)	(175)	(53)	(14)	–	–	(216)	(189)
Depreciation of property, plant and equipment and right-of-use assets	(593)	(857)	(194)	(144)	–	–	(787)	(1,001)
Taxation	26	30	–	18	–	–	26	48

(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 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Malaysia (place of domicile)	23,419	10,270
The People's Republic of China ("PRC") including		
Hong Kong	6,769	4,123
Vietnam	8,424	3,374
	<hr/>	<hr/>
Total	38,612	17,767
	<hr/> <hr/>	<hr/> <hr/>

4. REVENUE

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Services under freight forwarding and related service segment being transferred over time:		
Air freight forwarding and related services	14,783	2,770
Sea freight forwarding and related services	8,199	7,235
Trading of used mobile phones	6,137	–
Trucking and warehouse and related services	1,069	4,388
	<hr/>	<hr/>
	30,188	14,393
Goods under manufacturing and trading of plastic products segment being transferred at a point of time:		
Manufacturing and trading of plastic products	8,424	3,374
	<hr/>	<hr/>
	38,612	17,767
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE INCOME TAX EXPENSE

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Loss before income tax expense is arrived at after charging:		
Depreciation of property, plant and equipment and right-of-use assets:		
– owned	677	864
– held under finance leases	–	–
– right-of-use assets	110	137
Employee costs (including director's remuneration)	2,803	3,152
Finance costs		
– bank overdrafts	22	26
– bank borrowings	166	137
– finance lease	5	8
– lease liabilities	23	18
	<u>677</u>	<u>864</u>

6. DIVIDENDS

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2022 (2021: Nil).

7. INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Current tax		
Malaysia income tax		
– charge for the period	26	30
Vietnam income tax		
– charge for the period	–	18
Hong Kong profits tax		
– charge for the period	–	–
	<u>26</u>	<u>48</u>
Deferred tax		
– charge for the period	–	–
Income tax expense	<u>26</u>	<u>48</u>

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%).

Under the two-tiered profits tax ratio regime 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 31 March	
	2022	2021
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Loss		
Loss for the period attributable to owners of the Company	<u>333</u>	<u>1,982</u>
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	<u>633,600,000</u>	<u>116,133,333</u>

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

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

The weighted average number of ordinary shares used for the purposes of calculating basic loss per share for the three months ended 31 March 2022 is 633,600,000 (2021: 116,133,333).

Diluted loss per share are same as the basic loss per share as the Group had no dilutive potential ordinary shares during the three months ended 31 March 2022 and 2021.

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 three months ended 31 March 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 RM14.8 million and RM2.8 million for the three months ended 31 March 2022 and 2021, respectively. During the period, Malaysia handles few chartered flight, which led to the air freight services revenue increased by approximately 4.3 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 31 March 2022 and 2021 is set out in the table as below:

	For the three months ended	
	31 March	
	2022	2021
	'000 kg	'000 kg
Air freight shipment volume		
(a) Export	1,883	1,460
(b) Import	543	391

2. *Sea Freight Forwarding and Related Services*

The revenue from the sea freight services accounted for approximately RM8.2 million and RM7.2 million for the three months ended 31 March 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 31 March 2022 and 2021 is set out in the table as below:

	For the three months ended	
	31 March	
	2022	2021
	TEU	TEU
Sea freight shipment volume		
(a) Export	1,456	1,767
(b) Import	1,743	1,268

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 RM1.1 million and RM4.4 million for the three months ended 31 March 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 three months ended 31 March 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 RM8.4 million and RM3.4 million for the three months ended 31 March 2022 and 2021 respectively.

Trading of Used Mobile Phones Business

During the three months ended 31 March 2022, the Group recorded a revenue from the trading of used mobile phones of approximately RM6.1 million (2021: Nil), representing approximately 15.9% of our total revenue. The segment profit before taxation was approximately RM0.4 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 Chinese and international clients with widening the borders of the ASEAN countries. To achieve this, the Group intends to further expand its business in major gateways of Malaysia and China and expand the scope of services to cover cross border trucking, haulage and rail freight.

Besides, the Group has an intention to expand the logistics business in Hong Kong in order to absorb more Chinese and international clients. The Board is of the view that the logistics business will broaden its revenue base. It is expected that it may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

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

FINANCIAL REVIEW

Integrated Logistics Services Business

Revenue

The Group's total revenue from the integrated logistics services amounted to approximately RM24.1 million and RM14.4 million for the three months ended 31 March 2022 and 2021, respectively. For the three months ended 31 March 2022, approximately 49.0% and 27.2% of the Group's integrated logistics services revenue was attributable to air freight forwarding and sea freight services, respectively. For the three months ended 31 March 2021, approximately 19.3% and 50.3% 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 three months ended 31 March 2022 increased by approximately 67.1% or approximately RM9.7 million as compared to that of the same period in 2021. The increase was mainly due to revenue from air freight forwarding increase approximately RM12.0 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 1.0 times from RM12.9 million for the three months ended 31 March 2021 to RM21.1 million for the three months ended 31 March 2022.

Gross Profit and Gross Profit Margin

The gross profit increase by approximately 1.0 times from RM1.5 million for the three months ended 31 March 2021 to RM2.9 million for the three months ended 31 March 2022. It was mainly due to revenue generated from air freight forwarding and related services for the three months ended 31 March 2022 increased 4.3 times where the weight increased about 31.1% from about 1,851,221 kg for the three months ended 31 March 2021 to about 2,426,873 kg for the three months ended 31 March 2022.

Manufacturing and Trading of Plastic Products

Revenue

The Group's total revenue from manufacturing and trading of plastic products amounted to approximately RM8.4 million for the three months ended 31 March 2022 (2021: RM3.4 million).

Cost of Sales

For the manufacturing and trading of plastic products, the cost of sales amounted to approximately RM7.4 million for the three months ended 31 March 2022 (2021: RM3.0 million).

Gross Profit and Gross Profit Margin

The gross profit of the manufacturing and trading of plastic products amounted to approximately RM1.0 million (2021: RM0.4 million) and the gross profit margin is approximately 12.2% (2021: 11.9%) for the three months ended 31 March 2022.

Trading of Used Mobile Phones

Revenue

The Group's total revenue from the trading of mobile phone phones amounted to approximately RM6.1 million for the three months ended 31 March 2022 (2021: Nil).

Cost of Sales

For the trading of used mobile phones, the cost of sales amounted to approximately RM5.8 million (2021: Nil).

Gross Profit and Gross Profit Margin

The gross profit of the trading of used mobile phones amounted to approximately RM0.4 million (2021: Nil) and the gross profit margin is approximately 5.9% (2021: Nil) for the three months ended 31 March 2022.

Administrative Expenses

The administrative expenses were approximately RM4.5 million for the three months ended 31 March 2022 (2021: RM3.9 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 three months ended 31 March 2022 and 2021, financial cost amounted to approximately RM216,000 and RM271,000, respectively.

Loss for the Period and Loss per Share

The Group recorded a loss of approximately RM0.3 million for the three months ended 31 March 2022 (2021: RM2.0 million) which is attributable to the owners of the Company. The Group's loss per share for the three months ended 31 March 2022 was RM0.12 sen (2021: RM1.71 sen).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2022 (2021: Nil).

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:

		Planned use of proceeds <i>HK\$'000</i>	Actual use of proceeds up to 31 March 2022 <i>HK\$'000</i>
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	3,800
9 November 2021	Right issue as working capital for the expansion of logistics services in Hong Kong	51,942	10,034
		<u>57,642</u>	<u>15,734</u>

DISPOSAL OF PROPERTY

On 7 April 2022, an indirect wholly-owned subsidiary of the Company has accepted the Option to Purchase to sell the Property at a consideration of RM16,950,000 (equivalent to approximately HK\$31,527,000) to MTR Freight Sdn Bhd. Details of transaction was disclosed on Company's announcement dated 7 April 2022.

PROPOSED ESTABLISHMENT OF A JOINT VENTURE

On 13 April 2022, the Company is in advanced discussions to establish a joint venture (the "**JV Company**") with Suiyong Int'l Co., Limited (穗甬國際有限公司) ("**Suiyong Int'l**"), a company incorporated in Hong Kong with limited liability. It is intended that the JV Company will be established by the Company and Suiyong Int'l with a shareholding ratio of 51:49, respectively, and that the JV Company will become the general partner of a limited partnership fund ("**LPF**") to be set up in accordance with the Limited Partnership Fund Ordinance (Chapter 637 of the Laws of Hong Kong). The parties intend that the LPF will mainly be engaged in the investment in the field of green energy and environmental protection, including asset-backed securities of green energy projects, such as projects developed pursuant to the Company's collaboration with Shuifa Huaxia Group Co., Ltd.* (水發華夏集團有限公司) ("**Shuifa Huaxia**") under the memorandum of understanding entered into between the Company and Shuifa Huaxia on 25 January 2022.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2022, none of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules (“**Model Code**”) relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 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.
- (3) On 9 November 2021, 475,200,000 ordinary shares were placed under Right Issue at the subscription price of HK\$0.11 per ordinary share.

Save as disclosed above, as at 31 March 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 31 March 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 three months ended 31 March 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 three months ended 31 March 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 three months ended 31 March 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's has complied with the provision set out in Appendix 15 of the code provision of the Corporate Governance Code (the "**CG Code**") of the Rules Governing the Listing Securities on the GEM (the "**GEM Listing Rules**"). The Company has complied with all applicable code provisions as set out in the CG Code for the three months ended 31 March 2022.

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, Ms. Wong Hoi Yan Audrey and Mr. Ma Kin Hung. 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 First Quarterly 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, 12 May 2022

As at the date of this announcement, the executive Directors are Mr. LAI Kwok Hei and Mr. CHAN Kin Ho Philip; the independent non-executive Directors are Mr. WONG Siu Keung Joe, Ms. WONG Hoi Yan Audrey and Mr. MA Kin Hung.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company's website at <http://www.worldgate.com.hk>.

* *For identification purposes only*