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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 2023

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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 RM26.6 million for the three months ended 31 March 2023, decreased by approximately 31.0% as compared to that of the same period in 2022.
- The gross profit amounted to approximately RM2.5 million for the three months ended 31 March 2023, decreased by approximately 41.7% as compared to that of the same period in 2022.
- The Group recorded a net loss of approximately RM2.5 million for the three months ended 31 March 2023.
- The Board does not recommend the payment of interim dividend for the three months ended 31 March 2023.

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 2023 (the “**First Quarterly Financial Statements**”) together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue	4	26,633	38,612
Cost of sales		<u>(24,092)</u>	<u>(34,257)</u>
Gross profit		2,541	4,355
Other revenue		178	585
Share of profit/(loss) from an associate		298	(453)
Selling and administrative expenses		(5,420)	(4,480)
Finance costs		<u>(114)</u>	<u>(216)</u>
Loss before income tax expense	5	(2,517)	(209)
Income tax expense	7	<u>(22)</u>	<u>(26)</u>
Loss for the period		<u>(2,539)</u>	<u>(235)</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>238</u>	<u>102</u>
Total comprehensive income for the period		<u>238</u>	<u>102</u>
		<u>(2,301)</u>	<u>(133)</u>

		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RM'000	<i>RM'000</i>
(Loss)/profit for the period attributable to:			
Owners of the Company		(2,529)	(333)
Non-controlling interests		(10)	98
		<u>(2,539)</u>	<u>(235)</u>
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		(2,291)	(231)
Non-controlling interests		(10)	98
		<u>(2,301)</u>	<u>(133)</u>
		RM	RM
Loss per share			
Basic and diluted loss per share	8	<u>(0.40) sen</u>	<u>(0.05) sen</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

(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	-	-	-	-	(333)	(333)	98	(235)
Other comprehensive income for the period	-	-	-	102	-	102	-	102
Balance at								
31 March 2022	<u>33,712</u>	<u>37,382</u>	<u>16,972</u>	<u>286</u>	<u>(22,813)</u>	<u>65,539</u>	<u>1,181</u>	<u>66,720</u>

(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 2023	33,712	37,382	16,972	98	(35,031)	53,133	555	53,688
Loss for the period	-	-	-	-	(2,529)	(2,529)	(10)	(2,539)
Other comprehensive income for the period	-	-	-	238	-	238	-	238
Balance at								
31 March 2023	<u>33,712</u>	<u>37,382</u>	<u>16,972</u>	<u>336</u>	<u>(37,560)</u>	<u>50,842</u>	<u>545</u>	<u>51,387</u>

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 2022 (the "2022 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 2022. 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 2022 Annual Report.

3. SEGMENT INFORMATION

(a) Business segment

The Group manages its businesses by business lines in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), being the executive directors of the Company, for the purposes of resource allocation and performance assessment. The Group has three reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The Group's reportable and operating segments are as follows:

	Three months ended 31 March	
	2023	2022
	(Unaudited) <i>RM'000</i>	(Unaudited) <i>RM'000</i>
Freight forwarding and related services	6,543	24,051
Trading of used mobile phones	14,220	6,137
Manufacturing and trading of plastic product	5,870	8,424
	26,633	38,612

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is measure of adjusted loss before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation, share of results of an associate and fair value changes on financial assets at FVTPL and unallocated corporate expenses, being central administrative costs, are excluded from such measurement.

For the three months ended 31 March:

	Freight forwarding and related services		Manufacturing and trading of plastic products		Trading of used mobile phones		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue from external customers	6,543	24,051	5,870	8,424	14,220	6,137	26,633	38,612
Reportable segment (loss)/profit	(1,585)	273	29	180	927	361	(629)	815
Interest income	32	43	-	-	-	-	32	43
Finance costs	(75)	(163)	(39)	(53)	-	-	(114)	(216)
Depreciation of property, plant and equipment and right-of-use assets	(393)	(593)	-	(194)	(125)	-	(518)	(787)
Taxation	22	26	-	-	-	-	22	26

(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	
	2023	2022
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Malaysia (place of domicile)	6,543	23,419
The People's Republic of China ("PRC") including Hong Kong	14,220	6,769
Vietnam	5,870	8,424
	<hr/>	<hr/>
Total	26,633	38,612
	<hr/> <hr/>	<hr/> <hr/>

4. REVENUE

	Three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Services under freight forwarding and related service segment being transferred over time:		
Air freight forwarding and related services	1,941	14,783
Sea freight forwarding and related services	4,317	8,199
Trading of used mobile phones	14,220	6,137
Trucking and warehouse and related services	285	1,069
	<hr/>	<hr/>
	20,763	30,188
Goods under manufacturing and trading of plastic products segment being transferred at a point of time:		
Manufacturing and trading of plastic products	5,870	8,424
	<hr/>	<hr/>
	26,633	38,612
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE INCOME TAX EXPENSE

	Three months ended 31 March	
	2023	2022
	(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	232	677
– held under finance leases	–	–
– right-of-use assets	286	110
Employee costs (including director's remuneration)	3,096	2,803
Finance costs		
– bank overdrafts	2	22
– bank borrowings	51	166
– finance lease	9	5
– lease liabilities	52	23
	<u> </u>	<u> </u>

6. DIVIDENDS

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2023 (2022: Nil).

7. INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Current tax		
Malaysia income tax		
– charge for the period	22	26
Vietnam income tax		
– charge for the period	–	–
Hong Kong profits tax		
– charge for the period	–	–
	<u> </u>	<u> </u>
	22	26
Deferred tax		
– charge for the period	–	–
	<u> </u>	<u> </u>
Income tax expense	<u> </u>	<u> </u>
	22	26

Malaysian income tax is calculated at the statutory rate of 24% (2022: 24%) of the estimated taxable profit for the period. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 17% (2022: 17%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2022: 24%).

Under the two-tiered profits tax ratio regime of 8.25% (2022: 8.25%) on the first HK\$2 million and 16.5% for the remainder (2022: 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% (2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Loss		
Loss for the period attributable to owners of the Company	<u>2,529</u>	<u>333</u>
	Number of Shares	
	'000	'000
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</u>	<u>633,600</u>

- (i) 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 2023 is 633,600,000 (2022: 633,600,000).

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 2023 and 2022.

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 2023, 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 RM1.9 million and RM14.8 million for the three months ended 31 March 2023 and 2022, respectively. Malaysia handled chartered flight for COVID test kit last year and no such revenue was recognized during the period and thus revenue decreased by approximately 87.2% 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 2023 and 2022 is set out in the table as below:

	For the three months ended 31 March	
	2023 '000 kg	2022 '000 kg
Air freight shipment volume		
(a) Export	698	1,883
(b) Import	213	543

2. *Sea Freight Forwarding and Related Services*

The revenue from the sea freight services accounted for approximately RM4.3 million and RM8.2 million for the three months ended 31 March 2023 and 2022, respectively. Having confronted by the impact of the COVID-19 pandemic for the past three years, the general economic and market conditions in Malaysia affected enormously, customers placed less orders or even liquidated which leading the revenue from sea freight services reduced of approximately RM3.9 million when compared with last year. 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 2023 and 2022 is set out in the table as below:

	For the three months ended 31 March	
	2023	2022
	TEU	TEU
Sea freight shipment volume		
(a) Export	996	1,456
(b) Import	832	1,743

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 RM0.3 million and RM1.1 million for the three months ended 31 March 2023 and 2022, 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 2023 (2022: less than 1%).

Manufacturing and Trading of Plastic Products

Revenue from manufacturing and trading of plastic products mainly consisted of (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 RM5.9 million and RM8.4 million for the three months ended 31 March 2023 and 2022 respectively, representing approximately 22.0% (2022: 21.8%) of total revenue.

Trading of Used Mobile Phones Business

During the three months ended 31 March 2023, the Group recorded a revenue from the trading of used mobile phones of approximately RM14.2 million (2022: RM6.1 million), representing approximately 53.4% of our total revenue. The segment profit before taxation was approximately RM0.9 million (2022: RM0.4 million). 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 solutions service provider in both Hong Kong and Malaysia. The Directors believe that there are (i) tremendous opportunities for business growth in 2023 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 expanded the logistics business in Hong Kong which has the advantages over China and target to explore the business opportunities with China and international clients. The Board is of the view that the logistics business will broaden its revenue base. It is expected that it may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

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 RM6.5 million and RM24.1 million for the three months ended 31 March 2023 and 2022, respectively. For the three months ended 31 March 2023, approximately 29.7% and 66.0% 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 2022, approximately 61.5% and 34.1% 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 2023 decreased by approximately 72.8% or approximately RM17.5 million as compared to that of the same period in 2022. The decrease was mainly due to revenue from air freight forwarding decrease approximately RM12.8 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 decrease in revenue, the cost of sales decreased by approximately 72.9% from RM21.1 million for the three months ended 31 March 2022 to RM5.7 million for the three months ended 31 March 2023.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 72.4% from RM2.9 million for the three months ended 31 March 2022 to RM0.8 million for the three months ended 31 March 2023. It was mainly due to revenue generated from air freight forwarding and related services for the three months ended 31 March 2023 decreased by 87.2% where the weight decreased about 62.5% from about 2,426,000 kg for the three months ended 31 March 2022 to about 911,000 kg for the three months ended 31 March 2023.

Manufacturing and Trading of Plastic Products

Revenue

The Group's total revenue from manufacturing and trading of plastic products amounted to approximately RM5.9 million for the three months ended 31 March 2023 (2022: RM8.4 million).

Cost of Sales

For the manufacturing and trading of plastic products, the cost of sales amounted to approximately RM5.1 million for the three months ended 31 March 2023 (2022: RM7.4 million).

Gross Profit and Gross Profit Margin

The gross profit of the manufacturing and trading of plastic products amounted to approximately RM0.8 million (2022: RM1.0 million) and the gross profit margin is approximately 13.4% (2022: 12.2%) for the three months ended 31 March 2023.

Trading of Used Mobile Phones

Revenue

The Group's total revenue from the trading of mobile phone phones amounted to approximately RM14.2 million for the three months ended 31 March 2023 (2022: RM6.1 million).

Cost of Sales

For the trading of used mobile phones, the cost of sales amounted to approximately RM13.3 million (2022: RM5.8 million).

Gross Profit and Gross Profit Margin

The gross profit of the trading of used mobile phones amounted to approximately RM0.9 million (2022: RM0.4 million) and the gross profit margin is approximately 6.5% (2022: 5.9%) for the three months ended 31 March 2023.

Selling and Administrative Expenses

The selling and administrative expenses were approximately RM5.4 million for the three months ended 31 March 2023 (2022: RM4.5 million). The selling and 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 2023 and 2022, financial cost amounted to approximately RM114,000 and RM216,000, respectively.

Loss for the Period and Loss per Share

The Group recorded a loss of approximately RM2.5 million for the three months ended 31 March 2023 (2022: RM0.3 million) which is attributable to the owners of the Company. The Group's loss per share for the three months ended 31 March 2023 was RM0.4 sen (2022: RM0.05 sen).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2023 (2022: Nil).

USE OF PROCEEDS FROM THE COMPANY'S SHARE PLACING

Rights Issue 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 planned use of proceeds was solely for working capital for the expansion of logistics services in Hong Kong.

On 5 January 2023, the Board considers that it would be in the interests of the Company and its shareholders as a whole to change of the use of proceeds by reallocating approximately HK\$26.1 million which was originally allocated for the expansion of logistics services business in Hong Kong towards HK\$19.1 million as working capital and HK\$7.0 million as investment purpose.

	Planned used of net proceeds as stated in the circular <i>HK\$'000</i>	Changed use of net proceeds as stated in the announcement dated 5 January 2023 <i>HK\$'000</i>	Actual use of proceeds during the year ended 31 March 2023 <i>HK\$'000</i>	Remaining balance after revised use of proceeds <i>HK\$'000</i>	Expected timeline of fully utilization of the balance
Working capital for the expansion of logistics service in Hong Kong	51,942.0	25,875.2	25,875.2	-	
Working Capital	-	19,066.8	7,318.0	11,748.8	December 2023
Investment purpose	-	7,000.0	-	7,000.0	December 2023
	<u>51,942.0</u>	<u>51,942.0</u>	<u>33,193.2</u>	<u>18,748.8</u>	

The analysis of the actual use of net proceeds as at 31 March 2023 are set out below:

	<i>RM Equivalent</i> <i>'000</i>	<i>HK\$'000</i>
1. Postage & courier charges	2,099.6	3,726.5
2. Administrative expenses	464.1	823.6
3. Salary	5,637.1	10,005.0
4. Professional fee	1,932.8	3,430.5
5. Logistics services	8,850.0	15,000.0
6. Repair and maintenance	117.0	207.6
Total	<u>19,100.6</u>	<u>33,193.2</u>

The unused balance with the amount of approximately HK\$18,748,800 is placed with reputable banks as the Group's bank deposits.

JOINT VENTURE COLLABORATION WITH SHUIFA HUAXIA

On 25 January 2022, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with Shuifa Huaxia Group Co., Ltd. (水發華夏集團有限公司) (“**Shuifa Huaxia**”) in relation to the collaboration for the establishment of a joint venture company (the “**JV Company**”) for the development of projects (the “**JV Collaboration**”). The parties confirmed that following the signing of the MOU, the preparation for the establishment of the JV Company may proceed until formal registration of the JV Company. A formal joint venture agreement (the “**JV Agreement**”) will be entered into based on the terms of the MOU and the actual development of projects. The parties aim to leverage and evolve around their respective core competencies to set up the JV Company to develop projects. Pursuant to the MOU, the Company will be responsible for introducing investors for project financing,

custodian services for project investment funds and provision of financial advice in relation to project financing, and Shuifa Huaxia will leverage its competitive advantage as a state-owned enterprise to bring in and promote projects.

While the Company and Shuifa Huaxia are preparing to set up a joint venture company, Shuifa Group Co., Ltd. (水發集團有限公司) (“**Shuifa Group**”), the parent company of Shuifa Huaxia has presented a solar power plant project to the Company for consideration and evaluation pursuant to the collaboration contemplated under the MOU. Details of the transaction were disclosed in the Company’s announcements dated 25 January 2022, 10 February 2022 and 13 February 2023.

Up to the date of these financial statements, no definitive agreements had been entered into in respect of the joint venture collaboration under the MOU.

JOINT VENTURE ESTABLISHMENT WITH SUIYONG INT’L

The Company is in advanced discussions to establish a joint venture (the “**Joint Venture**”) 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 Joint Venture will be established by the Company and Suiyong Int’l with a shareholding ratio of 51:49, respectively, and that the Joint Venture 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. Details of the transaction were disclosed in the Company’s announcements dated 13 April 2022.

Up to the date of approval of these financial statements, the proposed establishment of the Joint Venture is still under process and subject to all the necessary regulatory approvals being obtained. Therefore the Joint Venture may or may not be established.

STRATEGIC COOPERATION AGREEMENT WITH ZHONGWEI SUPPLY

On 5 January 2023, the Company entered into a strategic cooperation agreement with Zhongwei Supply Chain Co. Limited (中為供應鏈有限公司) (“**Zhongwei Supply Chain**”) in respect of cooperating in the supply chain business which includes but not limited to broad supply chain business, depth supply chain business and supply chain finance business (“**Supply Chain Businesses**”). With strength in logistics services, extensive logistics network, standardized management and service system, global customers confide in the Company. The Board believes that the strategic cooperation with Zhongwei Supply Chain will propel the Company in the supply chain industry. Details of the transaction were disclosed in the Company’s announcements dated 5 January 2023.

Up to the date of approval of these financial statements, the Company and Zhongwei Supply Chain are yet to enter into any definitive agreement.

CHANGE IN USE OF PROCEEDS FROM RIGHTS ISSUE

Reference is made to the Company's announcement dated 5 January 2023, the Board considers that since the completion of the Rights Issue, events had occurred in Hong Kong that the Board could not have anticipated at the time of the Rights Issue, the Company has been exploring investment and business cooperation opportunities to create value for the Company and its shareholders in a long-term and sustainable manner and has entered into memorandum of understanding with various business parties in relation to such. In view of the foregoing and upon review of the Group's operation needs, business segments and their future prospects, the Board considers that it would be in the interests of the Company and its shareholders as a whole to change of the use of proceeds by reallocating of approximately HK\$26.1 million, which was originally allocated for working capital for the expansion of logistics services business in Hong Kong towards general working capital and investment purpose.

OTHER INFORMATION

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

As at 31 March 2023, 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 2023, 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 2023, 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 2023, 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 2023, 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 2023.

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 2023.

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**"). The Company has complied with all applicable code provisions as set out in the CG Code for the three months ended 31 March 2023.

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 2023

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 Stock Exchange website at <http://www.hkexnews.hk> 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>.