

# WORLDGATE GLOBAL LOGISTICS LTD

## 盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8292





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## FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately RM101.8 million for the nine months ended 30 September 2022, increased by approximately 65.3% as compared to that of the same period in 2021.
- The gross profit amounted to approximately RM11.2 million for the nine months ended 30 September 2022, increased by approximately 45.4% as compared to that of the same period in 2021.
- The Group recorded a net loss of approximately RM5.4 million for the nine months ended 30 September 2022.
- The Board does not recommend the payment of interim dividend for the nine months ended 30 September 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 nine months ended 30 September 2022 (the “Third 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 and nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Revenue</b>	4	<b>33,661</b>	22,787	<b>101,803</b>	61,596
Cost of sales		(30,437)	(19,592)	(90,621)	(53,904)
<b>Gross profit</b>		<b>3,224</b>	3,195	<b>11,182</b>	7,692
Other revenue		724	300	2,068	920
Share of loss from an associate		(65)	(242)	(901)	(643)
Administrative expenses		(5,037)	(3,907)	(16,876)	(12,160)
Finance costs		(247)	(195)	(730)	(580)
<b>Loss before income tax expense</b>	5	<b>(1,401)</b>	(849)	<b>(5,257)</b>	(4,771)
Income tax expense	7	(34)	(60)	(85)	(182)
<b>Loss for the period</b>		<b>(1,435)</b>	(909)	<b>(5,342)</b>	(4,953)
<b>Other comprehensive income/(expenses):</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
– Exchange differences on translation foreign operations		2,614	297	4,333	1,068
<b>Total comprehensive income/(expense) for the period</b>		<b>1,179</b>	(612)	<b>(1,009)</b>	(3,885)



	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Loss for the period attributable to</b>					
Owners of the Company		(1,383)	(967)	(5,436)	(5,085)
Non-controlling interests		(52)	58	94	132
		(1,435)	(909)	(5,342)	(4,953)
<b>Total comprehensive income/(expense) for the period attributable to</b>					
Owners of the Company		1,231	(670)	(1,103)	(4,017)
Non-controlling interests		(52)	58	94	132
		1,179	(612)	(1,009)	(3,885)
		RM	RM	RM	RM
<b>Loss per share</b>					
Basic and diluted loss per share	8	(0.22) sen	(0.6) sen	(0.86) sen	(3.7) sen



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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
<b>Balance at 1 January 2021</b>	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	-	-	-	-	(5,085)	(5,085)	132	(4,953)
Other comprehensive income for the period	-	-	-	1,068	-	1,068	-	1,068
<b>Balance at 30 September 2021</b>	8,323	34,837	16,972	365	(15,947)	44,550	1,623	46,173

	(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
<b>Balance at 1 January 2022</b>	33,712	37,382	16,972	184	(22,480)	65,770	1,083	66,853
Loss for the period	-	-	-	-	(5,436)	(5,436)	94	(5,342)
Other comprehensive income for the period	-	-	-	4,333	-	4,333	-	4,333
<b>Balance at 30 September 2022</b>	33,712	37,382	16,972	4,517	(27,916)	64,667	1,177	65,844



## 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 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 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		Nine months ended	
	30 September	2021	30 September	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Freight forwarding and related services	12,400	18,172	47,327	48,431
Trading of used mobile phones	17,754	-	35,745	-
Manufacturing and trading of plastic product	3,507	4,615	18,731	13,165
	33,661	22,787	101,803	61,596



### 3. Segment Information (Continued)

#### (a) Business segment (Continued)

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 nine months ended 30 September:

	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	47,327	48,431	18,731	13,165	35,745	-	101,803	61,596
Reportable segment profit/(loss)	(1,896)	(2,630)	64	270	2,539	-	707	(2,360)
Interest income	133	136	-	-	-	-	133	136
Finance costs	(459)	(469)	(271)	(91)	-	-	(730)	(580)
Depreciation of property, plant and equipment and right-of-use assets	(1,455)	(2,407)	(480)	(579)	-	-	(1,935)	(2,986)
							(1,825)	(5,790)
Taxation	(85)	(90)	-	(92)	-	-	(85)	(182)



### 3. Segment Information (Continued)

#### (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		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Malaysia (place of domicile)	11,904	12,440	45,950	33,672
The People's Republic of China ("PRC") including Hong Kong	18,249	5,732	37,121	14,759
Vietnam	3,508	4,615	18,732	13,165
	33,661	22,787	101,803	61,596

### 4. Revenue

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Air freight forwarding and related services	5,319	6,332	23,797	11,620
Sea freight forwarding and related services	6,125	9,045	20,814	22,811
Trucking and warehouse and related services	955	2,795	2,716	14,000
Trading of used mobile phones	17,754	-	35,745	-
Goods under manufacturing and trading of plastic products segment being transferred at a point of time: Manufacturing and trading of plastic products	3,508	4,615	18,731	13,165
	33,661	22,787	101,803	61,596



## 5. Loss before Income Tax Expense

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Loss before income tax expense is arrived at after charging:				
Depreciation of property, plant and equipment:				
– owned	255	783	1,612	2,604
– right-of-use assets	106	121	323	382
Employee costs (including director's remuneration)	2,603	2,967	11,605	10,190
Finance costs				
– bank overdrafts	18	17	49	54
– bank borrowings	207	135	607	457
– finance lease	7	–	12	8
– lease liabilities	15	43	62	61

## 6. Dividends

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2022 (2021: nil).



## 7. Income Tax Expense

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

	Three months ended		Nine months ended	
	30 September		30 September	
	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	34	30	85	90
Vietnam income tax				
– charge for the period	–	30	–	92
Hong Kong profit tax				
– charge for the period	–	–	–	–
Deferred tax				
– charge for the period	–	–	–	–
Income tax expense	34	60	85	182

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		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
<b>Loss</b>				
Loss for the period attributable to owners of the Company	(1,383)	(967)	(5,436)	(5,085)
	<b>Number of shares</b>			
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period	633,600,000	158,400,000	633,600,000	136,536,264

- (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 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.



## 8. Loss per Share (Continued)

- (iii) 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.

- (iv) 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 nine months ended 30 September 2022: 633,600,000 (2021: 136,536,264).

Diluted loss per share are same as the basic loss per share as the Group had no dilutive potential ordinary shares during the nine months ended 30 September 2022 and 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### Integrated Logistic Services 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 nine months ended 30 September 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 related services.

#### 1. *Air Freight Forwarding and Related Services*

The revenue from the air freight services accounted for approximately RM23.8 million and RM11.6 million for the nine months ended 30 September 2022 and 2021, respectively. During the period, Malaysia handles chartered flight, which led to the air freight service revenue increased by approximately 104.8% when compared with the same period of 2021. 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 September 2022 and 2021 is set out in the table as below:

	For the nine months ended 30 September	
	2022 '000 kg	2021 '000 kg
Air freight shipment volume		
(a) Export	4,665	4,730
(b) Import	1,109	1,295

## 2. *Sea Freight Forwarding and Related Services*

The revenue from the sea freight services accounted for approximately RM20.8 million and RM22.8 million for the nine months ended 30 September 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 September 2022 and 2021 is set out in the table as below:

	For the nine months ended 30 September	
	2022 TEU	2021 TEU
Sea freight shipment volume		
(a) Export	4,300	4,467
(b) Import	3,913	4,149



### 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 RM2.7 million and RM14.0 million for the nine months ended 30 September 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 nine months ended 30 September 2022 (2021: less than 1%).

### **Manufacturing and Trading of Plastic Products**

Revenue from manufacturing and trading of plastic products mainly consists of (i) manufacturing plastic products and accessories for industrial and civil equipment, (ii) producing molds related to plastic products, and (iii) trading of plastic products and accessories.

During the nine months ended 30 September 2022, the Group recorded a revenue from the manufacturing and trading of plastic products approximately RM18.7 million (2021: RM13.2 million).



## Trading of Used Mobile Phones Business

During the nine months ended 30 September 2022, the Group recorded a revenue from the trading of used mobile phones of approximately RM35.7 million (2021: Nil), representing approximately 35.1% of our total revenue. The segment profit before taxation was approximately RM2.5 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 in order to expand the scope of services to cover the cross border trucking, haulage and rail freight.

Besides, the Group has an intention to expand the logistics and trading of used mobile phones business in Hong Kong in order to explore the China and international markets. 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 RM47.3 million and RM48.4 million for the nine months ended 30 September 2022 and 2021, respectively. For the nine months ended 30 September 2022, approximately 50.3% and 43.9% of the Group's integrated logistics services revenue was attributable to air freight forwarding and sea freight services, respectively. For the nine months ended 30 September 2021, approximately 18.9% and 37.0% 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 nine months ended 30 September 2022 decreased by approximately 2.3% or approximately RM1.1 million as compared to that of the same period in 2021. The decrease was mainly due to revenue from sea freight services decrease approximately RM2.0 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 decrease in revenue, the cost of sales decreased by approximately 3.3% from RM42.7 million for the nine months ended 30 September 2021 to RM41.3 million for the nine months ended 30 September 2022.

#### Gross Profit and Gross Profit Margin

The gross profit increase by approximately 3.4% from RM5.8 million for the nine months ended 30 September 2021 to RM6.0 million for the nine months ended 30 September 2022.



## Manufacturing and Trading of Plastic Products

### *Revenue*

The Group's total revenue from manufacturing and trading of plastic products amounted to approximately RM18.7 million for the nine months ended 30 September 2022 (2021: RM13.2 million).

### *Cost of Sales*

For the manufacturing and trading of plastic products, the cost of sales amounted to approximately RM16.1 million for the nine months ended 30 September 2022 (2021: RM11.2 million).

### *Gross Profit and Gross Profit Margin*

The gross profit of the manufacturing and trading of plastic products amounted to approximately RM2.6 million (2021: RM1.9 million) and the gross profit margin is approximately 13.9% (2021: 14.4%) for the nine months ended 30 September 2022.

## Trading of Used Mobile Phones

### *Revenue*

The Group's total revenue from the trading of mobile phone phones amounted to approximately RM35.7 million for the nine months ended 30 September 2022 (2021: Nil).

### *Cost of Sales*

For the trading of used mobile phones, the cost of sales amounted to approximately RM33.2 million for the nine months ended 30 September 2022 (2021: Nil).

### *Gross Profit and Gross Profit Margin*

The gross profit of the trading of used mobile phones amounted to approximately RM2.5 million (2021: Nil) and the gross profit margin is approximately 7.1% (2021: Nil) for the nine months ended 30 September 2022.



## Administrative Expenses

The administrative expenses were approximately RM16.9 million for the nine months ended 30 September 2022 (2021: RM12.2 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 nine months ended 30 September 2022 and 2021, financial cost amounted to approximately RM730,000 and RM580,000, respectively.

## Loss for the Period and Loss per Share

The Group recorded a loss of approximately RM5.4 million for the nine months ended 30 September 2022 (2021: RM5.1 million). The Group's loss per share for the nine months ended 30 September 2022 was RM0.9 sen (2021: RM3.7 sen).

## Interim Dividend

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 2022 (2021: nil).

## Use of Proceeds from the Company's Share Placing

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 used of proceeds from the Right Issue to the working capital for expansion in its logistics service business.

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

	RM Equivalent '000	HK\$ '000
1. Postage & Courier charges	1,280.5	2,170.3
2. Administrative expense	119.1	201.9
3. Salary expense	3,819.2	6,473.3
4. Professional fee	1,197.5	2,029.7
5. Logistics service	8,850.0	15,000.0
	15,266.3	25,875.2

The unused balance with the amount of approximately HK\$26,067,000 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 September 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 September 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 <sup>(1)</sup>	Percentage of shareholding
Win All Management Limited ("Win All")	Person having a security interest in shares <sup>(2)</sup>	188,380,000 (L)	29.73%
Mr. Ng Hang Fai Calvin ("Mr. Ng")	Interest in controlled corporation <sup>(2)</sup>	188,380,000 (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 September 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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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”). During the period, the Company has complied with all applicable code provisions as set out in the CG Code.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code for the nine months ended 30 September 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 Third 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, 11 November 2022

