



WORLDGATE GLOBAL LOGISTICS LTD

盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8292

2016

Interim Report

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

FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately RM33.4 million for the six months ended 30 June 2016, increased by approximately 13.7% as compared to that of the same period in 2015.
- The gross profit amounted to approximately RM7.4 million for the six months ended 30 June 2016, slightly decreased by approximately 2.3% as compared to that of the same period in 2015.
- The Group recorded a net loss of approximately RM6.1 million for the six months ended 30 June 2016. The net loss for the period was mainly due to the recognition of the one-off listing expenses of approximately RM6.6 million.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016.

FINANCIAL RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2016 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) RM	2015 (Unaudited) RM	2016 (Unaudited) RM	2015 (Unaudited) RM
Revenue	4	15,676,022	14,292,708	33,432,295	29,415,503
Cost of sales		(12,095,046)	(10,845,488)	(26,008,778)	(21,820,724)
Gross profit		3,580,976	3,447,220	7,423,517	7,594,779
Other revenue		183,465	195,033	268,547	592,083
Administrative expenses		(7,690,391)	(1,980,776)	(12,711,022)	(5,517,005)
Finance costs		(289,780)	(240,769)	(521,185)	(335,912)
(Loss)/profit before income tax expense	5	(4,215,730)	1,420,708	(5,540,143)	2,333,945
Income tax expense	7	(242,266)	(366,260)	(559,936)	(732,519)
(Loss)/profit for the period		(4,457,996)	1,054,448	(6,100,079)	1,601,426
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
— Exchange differences on translation to profit or loss		172,141	—	(433,787)	—
Total comprehensive income for the period		(4,285,855)	1,054,448	(6,533,866)	1,601,426
(Loss)/earnings per share attributable to owners of the Company during the period					
Basic and diluted (loss)/earnings per share	8	(0.74) sen	0.18 sen	(1.02) sen	0.27 sen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	As at 30 June 2016 (Unaudited) RM	As at 31 December 2015 (Audited) RM
Non-current assets			
Property, plant and equipment	9	24,735,636	25,103,098
Prepayment for acquisition of property, plant and equipment		416,500	416,500
Total non-current assets		25,152,136	25,519,598
Current assets			
Trade receivables	10	12,794,585	17,600,929
Prepayment, deposits and other receivable		5,635,366	1,692,086
Amounts due from directors		—	5,972
Amounts due from shareholders		—	7,756,560
Tax recoverable		—	526
Cash and cash equivalents		12,105,040	15,887,100
Total current assets		30,534,991	42,943,173
Current liabilities			
Trade payables	11	6,012,845	9,454,500
Accrual and other payables		9,376,559	4,929,935
Amount due to shareholders		6,263,477	—
Bank borrowings, secured		1,024,216	950,012
Current tax liabilities		1,575,091	1,715,503
Finance lease obligations		1,713,134	1,727,777
Total current liabilities		25,965,322	18,777,727
Net current assets		4,569,669	24,165,446
Total assets less current liabilities		29,721,805	49,685,044

	<i>Notes</i>	As at 30 June 2016 (Unaudited) RM	As at 31 December 2015 (Audited) RM
Non-current liabilities			
Deferred tax liabilities		911,441	935,874
Bank borrowings, secured		13,353,484	14,152,594
Finance lease obligations		3,685,499	4,291,329
Total non-current liabilities		17,950,424	19,379,797
Net assets		11,771,381	30,305,247
Capital and reserves			
Share capital	12	—	7,000,429
Reserves		11,771,381	23,304,818
Total equity		11,771,381	30,305,247

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital RM	Share premium* RM	Merger reserve* RM	Exchange reserve* RM	(Accumulated loss)/retained earnings* RM	Total RM
Six months ended 30 June 2016 (unaudited)						
At 1 January 2016	7,000,429	9,972,288	—	(2,308)	13,334,838	30,305,247
Loss for the period	—	—	—	—	(6,100,079)	(6,100,079)
Other comprehensive income	—	—	—	(433,787)	—	(433,787)
Total comprehensive income	—	—	—	(433,787)	(6,100,079)	(6,533,866)
Issue of ordinary share for re-organisation (Note 12)	—	—	—	—	—	—
Dividends declared (Note 6)	—	—	—	—	(12,000,000)	(12,000,000)
Reorganisation (Note 12)	(7,000,429)	(9,972,288)	16,972,717	—	—	—
Balance at 30 June 2016	—	—	16,972,717	(436,095)	(4,765,241)	11,771,381
Six months ended 30 June 2015 (unaudited)						
At 1 January 2015	7,000,000	—	—	—	9,508,796	16,508,796
Profit for the period	—	—	—	—	1,601,426	1,601,426
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	1,601,426	1,601,426
At 30 June 2015	7,000,000	—	—	—	11,110,222	18,110,222

* The total of these equity accounts as at the end of the reporting period represent "Reserves" in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited) RM	(Unaudited) RM
Net cash used in operating activities	(3,451,526)	(2,376,585)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,264,441)	(1,608,406)
Proceeds from disposal of property, plant and equipment	344,278	—
Decrease in amounts due from related companies	—	2,178,895
Increase in fixed deposit with a licensed bank	—	(1,075,959)
Interest received	138,619	18,132
Net cash used in investing activities	(781,544)	(487,338)
Cash flows from financing activities		
Proceeds from bank borrowings	—	1,183,811
Repayment of bank borrowings	(724,906)	(801,894)
Repayment from shareholders	7,756,560	—
(Increase)/decrease in amounts due from directors	—	142,667
Dividend paid	(5,736,523)	—
Repayment of finance lease obligations	(620,473)	(1,099,820)
Net cash generated from/(used in) financing activities	674,658	(575,236)
Net decrease in cash and cash equivalents	(3,558,412)	(3,439,159)
Effects of exchange rate changes on cash and cash equivalents	(223,648)	152,683
Cash and cash equivalents at beginning of period	15,887,100	5,365,722
Cash and cash equivalents at end of period	12,105,040	2,079,246

NOTES TO THE FINANCIAL INFORMATION (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. Its principal place of business is located at No. 42, Jalan Puteri 2/2 Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia.

The Group is principally engaged in the provision of comprehensive international freight services, transportation services as well as warehousing services to customers worldwide.

Pursuant to the reorganisation of the Company (the "Reorganisation") in connection with the listing of shares of the Company on the GEM (the "Listing"), the Company has become the holding company of its subsidiaries now comprising the Group since 17 June 2016. The shares of the Company were listed on the GEM on 6 July 2016 (the "Listing Date"). Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 28 June 2016 (the "Prospectus").

The condensed consolidated financial statements of the Group for the six months ended 30 June 2016 which have not been audited (the "interim financial statements") were approved for issue by the Board on 10 August 2016.

2. Basis of Preparation and Accounting Policies

These interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM. 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 interim financial statements are presented in Malaysian Ringgit ("RM"), which is the functional currency of the Company's major subsidiaries.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 December 2015 ("2015 Financial Statements") set out in Appendix I to the Prospectus which have been prepared in accordance with the accounting policies which conform to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2015 Financial Information except for the adoption of new accounting policies as a result of the completion of the Reorganisation, the details of which have been set out in note (i), and as a result of applying the new or revised HKFRSs as set out in note (ii) below.

2. Basis of Preparation and Accounting Policies (Continued)

(i) Completion of Reorganisation

The Company and its subsidiaries now comprising the Group have been under the common control of Mr. Lee Chooi Seng ("Mr. Lee") and Mr. Chin Seng Leong ("Mr. Chin") (collectively the "Controlling Shareholders"), before and after the Reorganisation. A contractual arrangement existed among the Controlling Shareholders to manage the business and operations of the Group on a collective basis. Accordingly, the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations in the 2015 Financial Statements. Upon the completion of the Reorganisation on 17 June 2016, the results of the subsidiaries are consolidated into the financial statements of the Company. All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on combination. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which the case the loss is recognised in profit or loss.

(ii) Adoption of new or revised HKFRSs

In the current period, the Group has applied all of the amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2016. The adoption of these amendments to HKFRSs had no material effect on the results and financial position of the Group and/or disclosures set out in these unaudited condensed consolidated financial statements for the current and/or prior accounting periods.

New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

The Directors are currently assessing the possible impact of these new or revised standards on the Group's result and financial position in the first year of application.

Accounting estimates and assumptions are used in the preparation of financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2015 Financial Statements.

3. Segment Information

(a) Business segment

The Group has been operating in one operating and reportable segment, being the provision of freight forwarding and related services in Malaysia (country of domicile). The chief operating decision maker make decisions based on the financial information of the Group prepared in accordance with HKFRS about resources allocation and performance assessment.

(b) Geographic information

For the geographical information, revenues from external customers are based on the location of operations. Since the Group solely operates its business in Malaysia and all of the non-current assets of the Group are located in Malaysia, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

(c) Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the reporting period were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) RM	2015 (Unaudited) RM	2016 (Unaudited) RM	2015 (Unaudited) RM
Customer I	2,972,279	2,144,255	8,567,706	5,308,631
Customer II	3,502,588	2,788,945	6,283,490	4,640,913

4. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) RM	2015 (Unaudited) RM	2016 (Unaudited) RM	2015 (Unaudited) RM
Air freight forwarding and related services	7,030,493	5,487,779	18,869,736	12,678,918
Sea freight forwarding and related services	7,946,770	8,074,336	13,227,189	15,495,912
Trucking and warehouse and related services	698,759	730,593	1,335,370	1,240,673
	15,676,022	14,292,708	33,432,295	29,415,503

5. (Loss)/Profit Before Income Tax Expense

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM	RM	RM	RM
(Loss)/profit before income tax expense is arrived at after charging:				
Depreciation of property, plant and equipment:				
— owned	395,591	122,128	436,198	242,924
— held under finance leases	261,106	430,446	754,317	837,079
Employee costs (including director's remuneration)	1,763,464	1,744,695	4,517,942	3,853,195
Listing expenses	4,874,212	—	6,645,023	—
Finance costs				
— bank overdrafts	29,774	25,865	65,070	51,693
— bank borrowings	204,110	141,290	393,035	272,378
— finance lease	55,896	73,614	63,080	11,841

6. Dividends

No dividend was paid or proposed by the Company since its incorporation, nor has any dividend been proposed since the end of reporting period and up to the date of the report. In March 2016, the directors of certain subsidiaries proposed final dividends amounting to RM12,000,000 in aggregate. The dividend was settled by cash payments of RM5,736,523 whereas the remaining balance of RM6,263,477 was credited to the current accounts with the directors of the Company.

The Directors do not recommend a payment of an interim dividend for the six months ended 30 June 2016.

7. Income Tax Expense

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

	Three months ended		Six months ended	
	30 June	2015	30 June	2015
	2016	(Unaudited)	2016	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM	RM	RM	RM
Current tax — Malaysia income tax				
— charge for the period	292,185	264,999	584,369	529,998
Deferred tax				
— charge for the period	(49,919)	101,261	(24,433)	202,521
Income tax expense	242,266	366,260	559,936	732,519

Malaysian income tax is calculated at the statutory rate of 24% (2015: 25%) of the estimated taxable profit for the period. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 19% (2015: 20%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2015: 25%).

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for six months ended 30 June 2015 and 2016. Taxation for oversea subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

8. (Loss)/Earnings per Share

The calculation of (loss)/earnings per share is based on the earning 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)/earnings per share is based on the following information:

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM	RM	RM	RM
Earnings				
(Loss)/profit for the period attributable to owners of the Company	(4,457,996)	1,054,448	(6,100,079)	1,601,426
Shares				
Weighted average number of ordinary shares in issue during the period	600,000,000	600,000,000	600,000,000	600,000,000

The calculation of the weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the periods has been determined based on the assumption that the Capitalisation Issue as mentioned in note 16 had occurred on 1 January 2015.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the periods.

9. Property, Plant and Equipment

During the six months ended 30 June 2016, the Group spent approximately RM629,000, RM161,000 and RM170,000 on acquisition of leasehold improvement, motor vehicles and furniture, fixture and equipment, respectively (six months ended 30 June 2015: approximately RM189,000, RM950,000 and RM49,000) and disposed approximately RM972,000 of motor vehicles (six months ended 30 June 2015: nil).

10. Trade Receivables

The average credit period granted to trade debtors ranging from 30–60 days from the invoice date.

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

	As at 30 June 2016 (Unaudited) RM	As at 31 December 2015 (Audited) RM
0 to 30 days	8,398,634	8,832,092
31 to 60 days	2,948,556	6,519,734
61 to 90 days	1,083,596	1,436,054
Over 90 days	363,799	813,049
	12,794,585	17,600,929

At the end of each of the reporting periods, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment has been recognised.

11. Trade Payables

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

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

	As at 30 June 2016 (Unaudited) RM	As at 31 December 2015 (Audited) RM
0 to 30 days	3,674,004	3,640,095
31 to 60 days	1,798,109	4,664,434
61 to 90 days	138,280	758,580
Over 90 days	402,452	391,391
	6,012,845	9,454,500

12. Share Capital

The share capital balance as at 31 December 2015 in the condensed consolidated statement of financial position represented the issued share capital of its subsidiaries, Worldgate Express Services Sdn. Bhd., My Forwarder International Sdn. Bhd., Freight Transport Network Sdn. Bhd. and Worldgate International Investment Limited as at that date.

The share capital balance as at 30 June 2016 in the condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

The Company

	Number of shares	Carrying value HK\$
Authorised:		
Ordinary share of HK\$0.01 each (<i>Note (a)</i>)	38,000,000	380,000
Increase in authorised share capital (<i>Note (b)</i>)	962,000,000	9,620,000
	1,000,000,000	10,000,000
Issued and fully paid:		
Ordinary share of HK\$0.01 each (<i>Note (a)</i>)	1	—
Issue of ordinary shares during the period (<i>Note (c)</i>)	99	1
	100	1

Notes:

- The Company was incorporated on 18 February 2016 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one nil-paid subscriber share (the "Initial Share") was allotted and issued to the subscriber. On the same day, the initial subscriber transferred its 1 Initial Share to RLDC Investment Holdings Limited (the "RLDC Investment"). RLDC Investment is a company incorporated in British Virgin Islands and was beneficially owned by the Controlling Shareholders.
- On 17 June 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each by the creation of additional 962,000,000 shares of HK\$0.01 each.
- On 17 June 2016, the Company allotted and issued 99 shares in aggregate to RLDC Investment, Upright Plan Limited and Champion Ascent Limited which were credited as fully paid as consideration for the transfer of their shareholding interest in Worldgate International Investment Limited. Upon completion of the Reorganisation on 17 June 2016, the Company has become the holding company of the Group. Any difference arising there from has been dealt with in merger reserve.

13. Operating Leases

Operating lease payments represent rentals payable by the Group for certain of its lease properties. Leases are negotiated for terms between 1 year and 4 years at fixed rentals.

At the end of each of the reporting period, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 June 2016 (Unaudited) RM	As at 31 December 2015 (Audited) RM
Not later than one year	192,075	207,527
Later than one year and not later than five years	27,378	12,834
	219,453	220,361

14. Capital Commitments

	As at 30 June 2016 (Unaudited) RM	As at 31 December 2015 (Audited) RM
Commitments for the acquisition of property, plant and equipment	3,151,498	3,151,498

15. Related Party Transactions

- (a) At 30 June 2016 and 31 December 2015, the Controlling Shareholders provide personal guarantees to secure for the bank borrowings and banking facilities and finance lease obligations granted to the Group.

At the end of the reporting period, the Controlling Shareholders provide personal guarantees to the Group for bank borrowings and finance lease obligations. These personal guarantees had been fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon Listing.

- (b) The remuneration of Directors and other members of key management during the reporting period were as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM	RM	RM	RM
Wages and salaries	366,339	363,015	770,088	726,030
Contributions to retirement benefits schemes	40,464	41,580	85,428	83,160
	406,803	404,595	855,516	809,190

16. Subsequent Events

The following significant events took place subsequent to 30 June 2016:

- (a) The Company successfully listed its shares on GEM on 6 July 2016.
- (b) On 5 July 2016, the placing of 200,000,000 ordinary shares of the Company of HK\$0.01 each at the placing price of HK\$0.35 per placing share were allotted and issued (the "Placing").
- (c) Upon completion of the Placing, the issue of 599,999,900 ordinary shares of the Company at par to the shareholders of the Company on a pro-rata basis by way of capitalising an amount of HK\$5,999,999 from the share premium account of the Company which was approved by the shareholders of the Company on 17 June 2016 and has become unconditional (the "Capitalisation Issue").
- (d) The net proceeds to be received by the Company from the Placing, after deducting the underwriting fees and other expenses to be borne by the Company, are estimated to be approximately HK\$51.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a well-established integrated logistics solution provider in Malaysia principally engaged in providing international freight forwarding and logistics services, with a primary focus on air/sea freight forwarding and related services, transportation and warehousing to customers worldwide.

The shares of Company were successfully listed on GEM on 6 July 2016 by way of Placing. The Directors believe that the Listing will assist the implementation of the Group's business strategies as stated in the Prospectus. The net proceeds from the Placing will provide financial resources to the Group to meet and achieve such business opportunities and strategies which will further strengthen the Group's market position in Malaysia. Moreover, a public listing status will also enhance the Group's corporate profile and assist in reinforcing its brand awareness and market reputation.

Business Review

The Group is an integrated logistics solution provider in Malaysia. The Group offers a range of logistics services to meet its customers' supply chain needs. These 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 was the largest source of income which accounted for approximately RM18.9 million and RM12.7 million for the six months ended 30 June 2016 and 2015, respectively. Revenue from air freight services mainly consists of fee of import and 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 six months ended 30 June 2016 and 2015 is set out in the table as below:

	For the six months ended	
	30 June	
	2016	2015
	'000 kg	'000 kg
Air freight shipment volume		
(a) Export	1,048	597
(b) Import	2,119	1,413

2. Sea Freight Forwarding and Related Services

The revenue from the sea freight services accounted for approximately RM13.2 million and RM15.5 million for the six months ended 30 June 2016 and 2015, respectively. Revenue from sea freight services mainly consists of fee of import and 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 of the Group's sea freight forwarding and related services during the six months ended 30 June 2016 and 2015 is set out in the table as below:

	For the six months ended	
	30 June	
	2016	2015
	TEU	TEU
Sea freight shipment volume		
(a) Export	2,984	3,371
(b) Import	3,287	3,294

3. 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 its freight forwarding business included 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 RM1.13 million and RM1.07 million for the six months ended 30 June 2016 and 2015, respectively. Revenue from such services mainly consists of delivery fee for trucking services. Such revenue is mainly driven by the volume of goods delivered, and the numbers of trips and types of customers served, among other factors.

4. Warehousing and Related Services

The Group's self-owned warehouse was set up for operation in March 2016. 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.

FUTURE PROSPECTS AND OUTLOOK

The Group aims to strengthen its position as an integrated logistics solution service provider in Malaysia. The Directors believe that there are (i) still plenty of room for growth for business in Penang given the fact that companies continue to set up new manufacturing plants in Penang; (ii) new business opportunities in Malacca, Johor and border of Thailand upon opening up of the borders of the ASEAN countries. To achieve this, the Group intends to further expand its business in major gateways of Malaysia and expand the scope of services to cover cross border trucking, haulage and rail freight.

Financial Review

Revenue

The Group's total revenue amounted to approximately RM33.4 million and RM29.4 million for the six months ended 30 June 2016 and 2015, respectively. Majority of the Group's income was attributable to freight charges for the six months ended 30 June 2016 and 2015. For the six months ended 30 June 2016, approximately 56.4% and 39.6% of the Group's revenue was attributable to air freight services and sea freight services, respectively. For the six months ended 30 June 2015, approximately 43.1% and 52.7% of the Group's turnover was attributable to air freight service and sea freight service, respectively.

Revenue for the six months ended 30 June 2016 increased by approximately 13.7% or approximately RM4.0 million as compared to that of the same period in 2015, as a result of the increase in air freight shipment volume, which is partially offset by the decrease in the sea freight shipment volume.

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 shipment volume and revenue, the cost of sales for the six months ended 30 June 2016 increased by approximately 19.2% or RM4.2 million as compared to the same period in 2015.

Gross Profit and Gross Profit Margin

The gross profit decreased slightly by approximately 2.3% from RM7.6 million for the six months ended 30 June 2015 to RM7.4 million for the six months ended 30 June 2016. Despite an increase in revenue from air freight services for the six months ended 30 June 2016, a lower gross profit margin was recorded as compared with the same period in 2015. Furthermore, though revenue generated from sea freight services for the six months ended 30 June 2016 decreased due to less export handling by the Group, the gross profit margin for such services increase as a result of better control in costs in this relation. With the combined effects of revenue and cost of sales, the Group's gross profit margin declined to 22.2% for the six months ended 30 June 2016 from 25.8% for the six months ended 30 June 2015.

Administrative Expenses

The administrative expenses increased by approximately RM7.2 million, from RM5.5 million for the six months ended 30 June 2015 to RM12.7 million for the six months ended 30 June 2016. The significant increase was mainly due to the recognition of the one-off listing expenses of approximately RM6.6 million during the six months ended 30 June 2016. The administrative expenses mainly consist of staff cost, listing expenses and depreciation of property, plant and equipment.

An actual listing expense of approximately RM11.0 million were incurred upon Listing representing an additional amount approximately RM1.2 million in comparison to the estimated listing expense of approximately RM9.8 million as disclosed in the Prospectus.

The administrative expenses are expected to increase upon Listing due to the establishment of office premises in Hong Kong and additional staff to be hired upon Listing.

Finance Costs

Finance costs represent interest on bank borrowings and finance lease. For the six months ended 30 June 2016 and 2015, financial cost amounted to approximately RM521,000 and RM336,000, respectively. The increase is mainly due to the increase in bank financing for the loan taken by the Group in relation to the warehouse renovation during the relevant period.

Net (Loss)/Profit for the Period and (Loss)/Earnings per Share

The Group recorded a net loss of approximately RM6.1 million for the six months ended 30 June 2016 and a net profit of approximately RM1.6 million for the six months ended 30 June 2015. As disclosed in the Prospectus, the Group is expected to record a net loss for the six months ended 30 June 2016. The net loss for the six months ended 30 June 2016 was mainly due to the recognition of the one-off listing expenses of approximately RM6.6 million. The Group's loss per share for the six months ended 30 June 2016 was RM1.02 sen and the Group's earnings per share for the six months ended 30 June 2015 was RM0.27 sen.

Liquidity, Financial Resources and Capital Structure

The shares of Company were successfully listed on GEM on 6 July 2016. Before Listing, the Group finances its liquidity requirements primarily through current cash and cash equivalents, cash flows from operations and banking facilities. Upon Listing, sources of liquidity will be satisfied using a combination of cash generated from operating activities, short-term or long-term indebtedness.

As at 30 June 2016, the Group's net current assets was approximately RM4,570,000 (31 December 2015: RM24,165,000) and the Group had cash and cash equivalents of approximately RM12,105,000 (31 December 2015: RM15,887,000).

As at 30 June 2016, the Group had bank borrowings and finance lease obligations of approximately RM14,378,000 (31 December 2015: RM15,103,000) and RM5,399,000 (31 December 2015: RM6,019,000).

As at 30 June 2016, the Group's current ratio was approximately 1.2 times (31 December 2015: 2.3 times). The gearing ratio is calculated by dividing total debt by total equity at the end of the respective periods. The Group's gearing ratio was approximately 168.0% (31 December 2015: 69.7%).

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 (2015: nil).

Contingent Liabilities

Bank guarantees of RM540,000 of the Group as at 30 June 2016 (31 December 2015: RM612,000) were issued to suppliers for operational requirements. The Directors do not consider probable that a claim will be made against the Group under these guarantees.

Pledge of Assets

At the 30 June 2016, certain of the Group's land and buildings with net carrying amount of RM14,189,051 (31 December 2015: RM14,503,271) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Capital Commitments

As at 30 June 2016, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM3,151,000 (31 December 2015: RM3,151,000).

Material Acquisitions and Disposals of Subsidiaries

Save as disclosed in the Prospectus, the Group has no material acquisitions and disposals of subsidiaries during the reporting periods.

Significant Investments Held by the Group

Save as disclosed in the Prospectus, there was no significant investment held by the Group during the reporting periods.

Future Plan for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Foreign Currency Risk

The Group derives a significant portion of its revenue in USD from international operations. While the Group's local customers and local suppliers settle with the Group in RM, quotes from suppliers are usually made in USD for shipping cargo space. Normally, the Group's receipt in USD is more than its payment in USD. In other words, the Group is accumulating USD. The management will monitor foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

During the six months ended 30 June 2016, the Group entered into certain foreign currency forward contracts to mitigate the risk on foreign currency fluctuation against RM. However, significant volatility in foreign exchange rates may negatively affect the Group's results of operations and other comprehensive income.

Employees and Remuneration Policy

The Group has a total of 168 and 157 full-time employees as at 30 June 2016 and 31 December 2015 respectively. The total employee remuneration including remuneration of the Directors for the six months ended 30 June 2016 amounted to RM4.5 million (2015: RM3.9 million).

The Group recognises that its success in the freight forwarding and logistics industry is dependent on its employees. The Group recruits its employees based on their industry experience and interpersonal skills. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management. The Company regularly provides discretionary bonuses to its senior management and key employees as incentive.

Use of Proceeds from Placing

The shares of the Company were successfully listed on GEM on 6 July 2016. The Directors consider that net proceeds from the Placing are crucial for financing the Group's business strategies and intended use of the net proceeds commensurate with its business strategies as set in the Prospectus.

The net proceeds from the Placing (after deducting underwriting fees and estimated expenses payable by the Group in connection with the Placing) were approximately HK\$51.6 million (or RM27.2 million at the exchange rate of approximately RM1=HK\$1.90). It is at present intended that the net proceeds will be applied as follows:

- approximately HK\$14.6 million, representing approximately 28.3% of the net proceeds, for further expanding its representative/branch office in major gateways of Malaysia;
- approximately HK\$4.4 million, representing approximately 8.5% of the net proceeds, for expanding the scope of services;
- approximately HK\$6.5 million, representing approximately 12.6% of the net proceeds, for further strengthening the information technology systems;
- approximately HK\$0.3 million, representing approximately 0.6% of the net proceeds, for attracting and retaining talented and experienced employees;
- approximately HK\$17.7 million, representing approximately 34.3% of the net proceeds, for growing the business strategically through business acquisitions or business collaboration;
- approximately HK\$3.4 million, representing approximately 6.6% of the net proceeds, for repayment of bank loan with interest rate of 4.65% (based on interest rate as at 31 December 2015) and maturity date in 2029; and
- approximately HK\$4.7 million, representing approximately 9.1% of the net proceeds, for working capital.

OTHER INFORMATION

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

As at 30 June 2016, the shares of the Company were not listed on GEM. The respective Division 7 and 8 of Part XV of the Securities and Futures Ordinance (“SFO”), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules (“Model Code”) were not applicable.

As at the date of this report, the interests or short positions 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 corporations (within the meaning of Part XV of the 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 relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding
Mr. Lee Chooi Seng (“Mr. Lee”)	Interest in controlled corporation ⁽²⁾	444,000,000 Shares (L)	55.5%
Mr. Chin Seng Leong (“Mr. Chin”)	Interest in controlled corporation ⁽²⁾	444,000,000 Shares (L)	55.5%

Notes:

- (1) The letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of RLDC Investment is legally and beneficially owned by Mr. Lee as to 50% and Mr. Chin as to 50%. Accordingly, Mr. Lee and Mr. Chin are deemed to be interested in all Shares held by RLDC Investment by virtue of the SFO.

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in the Model Code.

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

As at 30 June 2016, the shares of the Company were not listed on the GEM. The respective Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

As at the date of this report, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company as disclosed above) 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
RLDC Investment	Beneficial owner	444,000,000 (L)	55.5%
Mrs. Ng Yee Hoong	Family interest ⁽²⁾	444,000,000 (L)	55.5%
Mrs. Dorothy Yeo Mong Yee	Family interest ⁽³⁾	444,000,000 (L)	55.5%
Walgan Investment Limited ("Walgan Investment")	Interest in controlled corporation ⁽⁴⁾⁽⁵⁾	156,000,000 (L)	19.5%
Mr. Gan Ker Wei ("Mr. Gan")	Interest in controlled corporation ⁽⁴⁾⁽⁵⁾	156,000,000 (L)	19.5%
Mrs. Ong Amy Lai Fong	Family interest ⁽⁶⁾	156,000,000 (L)	19.5%
Upright Plan Limited ("Upright Plan")	Beneficial owner	78,000,000 (L)	9.75%
Champion Ascent Limited ("Champion Ascent")	Beneficial owner	78,000,000 (L)	9.75%
Mr. Chang Kin Man ("Mr. Chang")	Interest in controlled corporation ⁽⁵⁾	78,000,000 (L)	9.75%
Mrs. Wong Ping Yuk	Family interest ⁽⁷⁾	78,000,000 (L)	9.75%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares.
- (2) Mrs. Ng Yee Hoong is the spouse of Mr. Lee and is therefore deemed to be interested in all of the Shares held/owned by Mr. Lee (through RLDC Investment) by virtue of the SFO.
- (3) Mrs. Dorothy Yeo Mong Yee is the spouse of Mr. Chin and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chin (through RLDC Investment) by virtue of the SFO.
- (4) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan.
- (5) The entire issued share capital of Champion Ascent is legally and beneficially owned by Mr. Chang as to 60% and Walgan Investment as to 40%; and Walgan Investment is wholly-owned by Mr. Gan.
- (6) Mrs. Ong Amy Lai Fong is the spouse of Mr. Gan and is therefore deemed to be interested in all of the Shares held/owned by Mr. Gan (through Upright Plan and Champion Ascent) by virtue of the SFO.
- (7) Mrs. Wong Ping Yuk is the spouse of Mr. Chang and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chang (through Champion Ascent) by virtue of the SFO.

Save as disclosed above, as at the date of this report, 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 conditionally adopted the share option scheme, which was approved 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.

Since the share option scheme came into effect, no share options were granted, exercised or cancelled by the Company under the share option scheme and there were no outstanding share options under the share option scheme as at 30 June 2016.

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

The shares of Company were successfully listed on GEM on 6 July 2016. Save as disclosed in the Prospectus, during the six months ended 30 June 2016, 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.

Compliance Adviser's Interests

As at 30 June 2016 and up to the date of this report, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

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 period from the date of Listing to the date of this report.

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 corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code") and in relation to, among others, our Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

The shares of the Company were successfully listed on GEM on 6 July 2016. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the date of Listing to the date of this report.

Audit Committee

The Company established the audit committee of the Company (the "Audit Committee") on 17 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises all independent non-executive Directors: Mr. Wong Siu Keung Joe, Mr. Liew Weng Keat and Mr. Lee Kwok Tung Louis. Mr. Wong Siu Keung Joe was appointed to serve as the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company. The Interim Financial Statements have not been audited by the Company's auditor, but have been reviewed by the Audit Committee.

By order of the Board
WORLDGATE GLOBAL LOGISTICS LTD
Lee Chooi Seng
Chairman

Hong Kong, 10 August 2016

As at the date of this report, the executive Directors are Mr. Lee Chooi Seng and Mr. Chin Seng Leong; the non-executive Director is Dato' Tan Yee Boon and the independent non-executive Directors are Mr. Wong Siu Keung Joe, Mr. Liew Weng Keat and Mr. Lee Kwok Tung Louis.