WORLDGATE GLOBAL LOGISTICS LTD
盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This 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 RM96.4 million for the year ended 31 December 2017, decreased by approximately 9.9% as compared to that of the same period in 2016.
- The gross profit amounted to approximately RM15.1 million for the year ended 31 December 2017, decreased by approximately 16.4% as compared to that of the same period in 2016.
- The Group recorded a net loss of approximately RM2.2 million for the year ended 31 December 2017.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2017.

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2017 together with the comparative audited figures for the year ended 31 December 2016. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RM'000*	2016 *RM'000*
Revenue	*5*	**96,442**	107,077
Cost of services		**(81,387)**	(89,075)
Gross profit		**15,055**	18,002
Other revenue		**422**	1,106
Administrative expenses		**(16,028)**	(19,196)
Finance costs		**(1,033)**	(1,236)
Loss before income tax expense	*6*	**(1,584)**	(1,324)
Income tax (expense)/credit	*8*	**(577)**	1,317
Loss for the year attributable to owners of the Company		**(2,161)**	(7)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
— Exchange differences on translating foreign operations		**(2,311)**	1,749
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(4,472)**	1,742
		RM	*RM*
Loss per share			
Basic and diluted loss per share	*9*	**(0.2701 sen)**	(0.0010 sen)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RM'000	2016 RM'000
Non-current assets			
Property, plant and equipment		**23,412**	24,514
Prepayment for acquisition of property, plant and equipment		**956**	417
Total non-current assets		**24,368**	24,931
Current assets			
Trade and other receivables	*10*	**20,640**	35,177
Tax recoverable		**713**	795
Cash and cash equivalents		**37,158**	33,329
Total current assets		**58,511**	69,301
Current liabilities			
Trade and other payables	*11*	**9,743**	19,836
Bank borrowings, secured		**7,074**	1,824
Tax payable		**165**	39
Finance lease obligations		**1,778**	1,646
Total current liabilities		**18,760**	23,345
Net current assets		**39,751**	45,956
Total assets less current liabilities		**64,119**	70,887
Non-current liabilities			
Deferred tax liabilities		**647**	746
Bank borrowings, secured		**12,981**	13,832
Finance lease obligations		**1,337**	2,683
Total non-current liabilities		**14,965**	17,261
Net assets		**49,154**	53,626
Capital and reserves			
Share capital		**4,154**	4,154
Reserves		**45,000**	49,472
Total equity		**49,154**	53,626

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. CORPORATE INFORMATION

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 were listed on the GEM of the Stock Exchange on 6 July 2016 (the "**Listing**"). 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 and Malaysia are located at Unit 1903, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong and No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia, respectively.

The Company is an investment holding company and its subsidiaries (together with the Company, collectively referred to as the "Group") are principally engaged in the provision of comprehensive freight services, transportation as well as warehousing to customer worldwide.

The Company's parent is RLDC Investment Holdings Limited (the "**RLDC Investment**"), a company incorporated in the British Virgin Islands. In the opinion of the Directors, RLDC Investment is also the ultimate parent of the Company.

The financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Directors on 22 March 2018.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

These financial statements have been prepared under the historical cost basis.

The functional currency of the Company is Hong Kong dollars ("**HK$**"), while the financial statements are presented in Malaysian Ringgit ("**RM**"), which is the functional currency of the Company's major subsidiaries. The Directors consider that it is more appropriate to adopt RM as the Group's and the Company's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/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. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

4. 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 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 are as follow:

	2017	2016
	RM'000	*RM'000*
Customer I	**34,053**	49,563
Customer II	**—**	13,518

5. REVENUE

Revenue of the Group represents revenue generated from provision of (i) air freight forwarding and related services; (ii) sea freight forwarding and related services; and (iii) trucking and warehouse and related services. The amounts of each significant category of revenue recognised during the year are as follows:

	2017	2016
	RM'000	*RM'000*
Air freight forwarding and related services	**55,488**	72,869
Sea freight forwarding and related services	**36,032**	31,874
Trucking and warehouse and related services	**4,922**	2,334
	96,442	107,077

6. LOSS BEFORE INCOME TAX EXPENSE

	2017	2016
	RM'000	*RM'000*
Loss before income tax expense is arrived at after charging/(crediting):		
Auditor's remuneration	**313**	267
Employee costs	**13,871**	11,019
(Gain)/loss on foreign exchange:		
— realised gain	**(111)**	(615)
— unrealised loss/(gain)	**293**	(157)
Write-off of loans and receivables	**90**	—
Loss on disposal of property, plant and equipment, net	**46**	—
Depreciation of property, plant and equipment:		
— Owned	**1,123**	1,219
— Held under finance leases	**1,158**	1,671
Minimum lease payments under operating leases recognised as expense in the year	**1,362**	1,173
Listing expenses (including professional fees and other expenses)	**—**	6,645

7. DIVIDENDS

No dividend was paid or proposed during 2017, nor has any dividend been proposed since the end of reporting period (2016: RM Nil).

8. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) in the consolidated statement of comprehensive income represents:

	2017	2016
	RM'000	*RM'000*
Current tax — Malaysia income tax		
— charge for the year	**646**	876
— under/(over) — provision in respect of prior years	**30**	(2,003)
	676	(1,127)
Deferred tax		
— credit for the year	**(99)**	(190)
Income tax expense/(credit)	**577**	(1,317)

Malaysian income tax is calculated at the statutory rate of 24% (2016: 24%) of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 18% (2016: 20%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2016: 24%).

The Ministry of International Trade and Industry of Malaysia had certified a subsidiary of the Group is carrying out promoted activities in Malaysia and granted a pioneer certificate for a period of five years from 1 July 2014 to 30 June 2019. This subsidiary is therefore entitled to a tax exemption of 70% on the statutory income of this subsidiary for each of the tax assessment years from 1 July 2014 to 30 June 2019. During the year, the Group entitled to a tax exemption amount of RM417,000 (2016: RM1,555,000).

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2017 (2016: Nil). Taxation for oversea subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The income tax expense/(credit) for the year can be reconciled to the loss before income tax expense/(credit) per the consolidated statement of comprehensive income as follows:

	2017	2016
	RM'000	*RM'000*
Loss before income tax expense	**(1,584)**	(1,324)
Tax calculated at the domestic tax rate	**(75)**	285
Tax incentive obtained from differential tax rate of 18% (2016: 20%)	**(60)**	(42)
Effect of tax exemption granted to Malaysia subsidiary	**(417)**	(1,555)
Tax effect of expenses not deductible for tax purposes	**1,103**	1,998
Tax effect of revenue not taxable	**(4)**	—
Under/(over)-provision of tax expense in prior year	**30**	(2,003)
Income tax expense/(credit)	**577**	(1,317)

9. 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 of basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following information:

	2017	2016
	RM'000	*RM'000*
Loss		
Loss for the year attributable to owners of the Company	**(2,161)**	(7)

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year	**800,000,000**	698,360,656

There was no movement on the number of shares in issue during the year. The weighted average number of ordinary shares used for the purposes of calculating the basic loss per share for the year ended 31 December 2017 is 800,000,000.

The weighted average number of ordinary shares used for the purposes of calculating the basic loss per share for the year ended 31 December 2016 of 698,360,656 includes the weighted average number of shares issued pursuant to the placing of 200,000,000 shares, in addition to the aforementioned 600,000,000 shares in issue immediately after the capitalisation issue.

Diluted loss per share were the same as the basic loss per share as the Group had no dilutive potential shares during the years ended 31 December 2017 and 2016.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	RM'000	*RM'000*
Trade receivables	**19,539**	33,933
Other receivables	**667**	658
Prepayments and deposits	**434**	586
	20,640	35,177

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

Included in trade and other receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as of the end of reporting period:

	2017	2016
	RM'000	*RM'000*
Within 1 month	**11,101**	17,054
1 to 2 months	**4,672**	9,191
2 to 3 months	**2,047**	4,126
Over 3 months	**1,719**	3,562
	19,539	33,933

At the end of each of the reporting periods, the Group reviews trade and other receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment loss has been recognised as at 31 December 2017 and 2016. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The aging of trade receivables which are past due but not impaired is as follows:

	2017	2016
	RM'000	*RM'000*
Neither past due nor impaired	**12,280**	17,786
Past due but not impaired:		
Less than 1 month	**4,511**	8,625
1 to 3 months	**1,986**	6,131
More than 3 months but less than 12 months	**762**	1,391
	7,259	16,147

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

11. TRADE AND OTHER PAYABLES

	2017	2016
	RM'000	*RM'000*
Trade payables	**8,082**	16,704
Other payables	**1,153**	2,577
Accruals and deposits received	**508**	555
	9,743	19,836

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

Included in trade and other payables are trade creditors with the following aging analysis, based on invoice dates, as of end of reporting period:

	2017	2016
	RM'000	*RM'000*
Current or less than 1 month	**5,041**	10,587
1 to 2 months	**2,523**	5,312
2 to 3 months	**252**	296
More than 3 months but less than 12 months	**266**	509
	8,082	16,704

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 will implement various strategies as stated in the prospectus of the Company dated 28 June 2016 (the "**Prospectus**") with the intention to strengthen our market position. The Group will closely monitor the market situations and make necessary adjustments to its strategies and operations.

For the year ended 31 December 2017 (the "**Financial Year**"), 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) trucking and warehouse and related services.

1. *Air Freight Forwarding and Related Services*

During the Financial Year, the revenue from the air freight services was the largest source of income which accounted for approximately RM55.5 million (2016: RM72.9 million), representing a decrease of about 23.9% as compared to that of last year. 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 for the year ended 31 December 2017 and 2016 is set out in the table as below:

	For the year ended 31 December	
	2017	2016
	'000 kg	*'000 kg*
Air freight shipment volume		
(a) Export	**5,170**	4,757
(b) Import	**5,363**	2,974

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

During the Financial Year, the revenue from the sea freight services accounted for approximately RM36.0 million (2016: RM31.9 million), representing an increase of about 13.0% as compared to that of last year. 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 in Twenty-foot Equivalent Unit ("**TEU**") of the Group's sea freight forwarding and related services for the year ended 31 December 2017 and 2016 is set out in the table as below:

	For the year ended 31 December	
	2017	2016
	TEU	*TEU*
Sea freight shipment volume		
(a) Export	**6,477**	5,767
(b) Import	**12,540**	7,888

3. ***Trucking and Warehouse 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.

During the Financial Year, the revenue from the trucking services which does not involve air freight or sea freight accounted for approximately RM4.2 million (2016: RM1.9 million). 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.

ii) *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 for the year ended 31 December 2017 and 2016.

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 the 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.

The Memorandum of Understanding ("MOU")

On 9 October 2017, the Company, 華晨國際汽貿(大連)有限公司 (Brilliance International Auto Trade (Dalian) Company Limited*) ("**Brilliance International Auto Trade**") and 上正大(上海)基因生物工程有限公司 (Shangzhengda (Shanghai) Genetic and Biological Engineering Company Limited*) ("**Shangzhengda**") entered into the MOU in respect of the proposed formation of a joint venture (the "**Joint Venture**") in the People's Republic of China (the "**PRC**") which shall in the PRC develop big health and gene inspection businesses and provide high-end overseas medical services.

The MOU recorded the parties' intention as to the establishment of the Joint Venture and does not constitute legally binding commitment in respect of the establishment of the Joint Venture and other transactions ancillary thereto. The proposed establishment of the Joint Venture and the ancillary transactions will be subject to the execution and completion of the relevant formal agreement(s).

For further details of the MOU, please refer to the Company's announcement dated 9 October 2017. As at the date of this announcement, the MOU had expired and no any definitive agreement had been signed.

* *For identification purposes only*

Financial Review

Revenue

The Group's total revenue amounted to approximately RM96.4 million and RM107.1 million for the year ended 31 December 2017 and 2016. Majority of the Group's income was attributable to freight charges for the year ended 31 December 2017 and 2016. For the Financial Year, approximately 57.5% and 37.4% of the Group's revenue was attributable to air freight services and sea freight services, respectively. For the year ended 31 December 2016, approximately 68.1% and 29.8% of the Group's turnover was attributable to air freight service and sea freight service, respectively.

The revenue for the Financial Year decreased by approximately 9.9% as compared to that of the previous year. The decrease in revenue was mainly due to (i) in order to cope with the keen competition in the industry, the Group reasonably lower its gross profit margin in an attempt to attract more customers as well as retaining exiting customers and boost the revenue since the fourth quarter of 2016, (ii) the Group entered into an "AMENDMENT TO THE LOGISTICS SERVICES AGREEMENT" with a major customer. The status had been changed from Regional Service Provider (RSP) to Local Service Provider (LSP) effective from 1 August 2017 and (iii) the Group recorded a significant decrease in revenue in the fourth quarter of 2017 comparing to that of the corresponding period in 2016.

Cost of Services

Major components of the cost of services 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 service for the Financial Year decreased by approximately 8.6% or RM7.7 million as compared to that of the previous year.

Gross Profit and Gross Profit Margin

In order to cope with the keen competition of air freight business in Malaysia, the Group reasonably lower its gross profit margin in an attempt to attract more customers as well as retaining existing customers and boost the revenue since the fourth quarter of 2016. The gross profit decreased by approximately 16.4% from RM18.0 million for the year ended 31 December 2016 to RM15.1 million for the Financial Year. Despite an increase in shipment volume from air freight services for the Financial Year, a lower gross profit margin was recorded as compared with the previous year. Furthermore, revenue generated from sea freight services and its shipment volume for the Financial Year also increased, the gross profit margin from sea freight decreased due to the freight rate charged from suppliers increased during the Financial Year. With the combined effects of revenue and cost of services, the Group's gross profit margin declined to 15.6% for the Financial Year from 16.8% for the year ended 31 December 2016.

Administrative Expenses

The administrative expenses decreased by approximately RM3.2 million, from RM19.2 million for the year ended 31 December 2016 to RM16.0 million for the Financial Year. The lower administrative expenses were mainly due to the absence of recognition of listing expenses for the Financial Year (2016: RM6.6 million). The administrative expenses mainly consist staff cost, operating leases and depreciation of property, plant and equipment.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings and finance lease. During the Financial Year, the Group's finance cost amounted to approximately RM1.0 million (2016: RM1.2 million).

Income Tax (Expense)/Credit

During the Financial Year, the Group recorded income tax expenses of approximately RM0.6 million and the income tax credit of approximately RM1.3 million for the year ended 31 December 2016.

The Ministry of International Trade and Industry of Malaysia had certified the subsidiary of the Group is carrying out promoted activities in Malaysia and granted a pioneer certificate for a period of five years from 1 July 2014 to 30 June 2019. This subsidiary is therefore entitled to a tax exemption of 70% on its statutory income for each of the tax assessment years from 1 July 2014 to 30 June 2019. During the Financial Year, the Group entitled to a tax exemption amount of approximately RM417,000. Accordingly, the Group recognised a tax exemption amount of approximately RM1.6 million for the financial year ended 31 December 2016 and an amount of RM2.0 million as over-provision of income tax for the prior year.

Loss for the year and Loss per Share

The Group recorded a loss of approximately RM2.2 million for the Financial Year (2016: RM7,000). The Group's loss per share for the Financial Year was RM0.2701 sen (2016: RM0.0010 sen).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2017,

(a) the Group's net current assets was approximately RM39.8 million (2016: RM46.0 million) and the Group had cash and cash equivalents of approximately RM37.2 million (2016: RM33.3 million);

(b) the Group had bank borrowings and finance lease obligations of approximately RM20.1 million (2016: RM15.7 million) and RM3.1 million (2016: RM4.3 million);

(c) the Group's current ratio was approximately 3.1 times (2016: 3.0 times). The gearing ratio is calculated by dividing total debt by total equity at the end of the respective years. The Group's gearing ratio was approximately 47.1% (2016: 37.3%); and

(d) the Group's total equity attributable to owners of the Company amounted to approximately RM49.2 million (2016: RM53.7 million). The capital of the Company mainly comprises share capital and reserves.

Dividends

The Directors do not recommend the payment of a final dividend for the Financial Year (2016: Nil).

Significant Investments Held by the Group

As at 31 December 2017 and 2016, there was no significant investment held by the Group.

Material Acquisitions and Disposals of Subsidiaries

During the Financial Year, the Group did not have any material acquisitions and disposals of subsidiaries.

Pledge of Shares by Controlling Shareholder

On 27 November 2017, RLDC Investment, the Company's controlling shareholder (as such term is defined in the GEM Listing Rules), which is beneficially owned by our executive directors namely Mr. Lee Chooi Seng and Mr. Chin Seng Leong as to 50% and 50% respectively, entered into a loan agreement (the "**Loan Agreement**") with an independent third party in relation to the provision of loan in the principal amount of HK$130,000,000 and pursuant to which RLDC Investment pledged 444,000,000 shares of the Company (the "**Charged Shares**") as security for the Loan Agreement. The Charged Shares represent approximately 55.5% of the issued share capital of the Company as at the date of this announcement. For further details of this transaction, please refer to the Company's announcement dated 27 November 2017.

Capital Commitments

As at 31 December 2017, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM83,000 (2016: RM734,000).

Pledge of Assets

At the 31 December 2017, certain of the Group's land and buildings with net carrying amount of RM13.8 million (2016: RM14.7 million) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Future Plan for Material Investments and Capital Assets

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

Contingent Liabilities

As at 31 December 2017, bank guarantees of RM45,000 of the Group (2016: RM538,000) 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.

Foreign Currency Risk

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

As at 31 December 2017 and 2016, the Group did not enter into any foreign currency forward contracts. However, the management will monitor the foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Employees and Remuneration Policy

As at 31 December 2017, the Group has a total of 176 (2016: 185) full-time employees. The total employee remuneration including remuneration of the Directors for the Financial Year amounted to RM13.9 million (2016: RM11.0 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.

Comparison of business objectives and strategies with actual business progress

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the date of Listing to 31 December 2017 (the "**Relevant Period**") is set out below:

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
1. Further expand its representative/ branch office in major gateways of Malaysia	(a) Further expansion of Malacca & Johor branches; and	The Group is in progress of hiring more new sales staff to promote and further expand Northern, Southern & Central region markets.
	(b) Establishment of office in Padang Besar, Perlis, Malaysia (Thailand border) and warehouse in Penang	A new sales executive has been hired to further expand the markets in Peninsular Malaysia.
	(c) Additional cost for upgrading requirements of the new offices	The Group is still exploring new business opportunities.
2. Expand the scope of services	(a) Engagement of market research team to conduct research in rail freight services	The Group has conducted market research on an in-house basis on rail freight, warehousing & distribution in line with the "Belt & Road" initiative. New staff will be hired & to be stationed at Padang Besar, Perlis to expand the scope of services.
	(b) Cost of establishing a small business development team.	The Group has taken efforts to intensify market promotion in Malaysia as well as in the international market places through participation in several international conferences and events for better networking & market promotion; The Group has upgraded warehouse with racking system to increase the lettable space for optimum benefits; The Group has upgraded warehouse with loading bay & awning.
3. Further strengthen the information technology systems	(a) Software development (Freight Management 3000)	The Group has replaced the Freight Management 3000 and Sysfreight system with a new integrated system namely SoviLogistic system.
	(b) Purchase of network equipment	Upgrading of old computer to new laptop.

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
4. Attract and retain talented and experienced employees	(a) Recruitment costs for new talents	The Group intends to hiring of new Management Representative Officer to overseeing the group goals in Brand Development, Customers & staffs retention for a sustainable business growth.
	(b) Additional recruiting cost for new talents	The Group has hired new talents to further growth of our business.
5. Grow the business strategically through business acquisitions in Singapore	(a) Payment for potential targets	The Group is still exploring for suitable candidate for acquisition in Singapore.
	(b) Consideration for acquisition	The Group is still exploring for suitable candidate for acquisition.

Use of Proceeds

The net proceeds from the IPO Placing, after deducting underwriting fees and estimated expenses payable by the Group in connection thereto, were approximately HK$51.6 million (or RM27.2 million at the exchange rate of approximately RM1 = HK$1.90) as disclosed in the Prospectus. During the Relevant Period, the net proceeds from the IPO Placing had been applied as follows:

Business strategies as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus during the Relevant Period *HK$ million*	Actual use of proceeds during the Relevant Period *HK$ million*
1. Further expand its representative/branch office in major gateways of Malaysia	10.1	0.6
2. Expand the scope of services	0.5	0.5
3. Further strengthen the information technology systems	4.7	1.7
4. Attract and retain talented and experienced employees	0.3	0.3
5. Grow the business strategically through business acquisitions and business collaborations	17.7	—
6. Repay loans	3.4	3.4
7. Working Capital	2.5	2.5
Total	39.2	9.0

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**"). Throughout the Financial Year, the Company has complied with all applicable code provisions as set out in the CG Code.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

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. The Audit Committee comprises all independent non-executive Directors, namely Mr. Wong Siu Keung, Joe ("**Mr. Wong**"), Mr. Lee Kwok Tung Louis and Mr. Liew Weng Keat. Mr. Wong 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 Group's audited consolidated financial statements for year ended 31 December 2017 have been reviewed by the audit committee, who is of the opinion that such statements comply with applicable accounting standards, the GEM Listing Rules and other legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company for the Year will be held on Friday, 11 May 2018. A notice convening the AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018, both days inclusive, during which period no transfer of Shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Monday, 7 May 2018 for registration.

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

Hong Kong, 22 March 2018

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

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