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WORLDGATE GLOBAL LOGISTICS LTD

盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

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 RM16.9 million for the three months ended 31 March 2018, decreased by approximately 20.7% as compared to that of the same period in 2017.
- The gross profit amounted to approximately RM2.0 million for the three months ended 31 March 2018, decreased by approximately 41.4% as compared to that of the same period in 2017.
- The Group recorded a net loss of approximately RM2.0 million for the three months ended 31 March 2018.
- The Board does not recommend the payment of interim dividend for the three months ended 31 March 2018.

FINANCIAL RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2018 (the “**First Quarterly Financial Statements**”) together with the comparative figures for the corresponding period in 2017 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2018

	<i>Notes</i>	2018 (Unaudited) <i>RM'000</i>	2017 (Unaudited) <i>RM'000</i>
Revenue	4	16,859	21,264
Cost of services		<u>(14,907)</u>	<u>(17,932)</u>
Gross profit		1,952	3,332
Other revenue		234	54
Administrative expenses		(3,639)	(3,600)
Finance costs		<u>(275)</u>	<u>(276)</u>
Loss before income tax expense	5	(1,728)	(490)
Income tax expense	7	<u>(272)</u>	<u>(265)</u>
Loss for the period attributable to owners of the Company		(2,000)	(755)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translation of foreign operations		<u>(938)</u>	<u>(434)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u><u>(2,938)</u></u>	<u><u>(1,189)</u></u>
Loss per share			
Basic and diluted loss per share	8	<u><u>(0.25) sen</u></u>	<u><u>(0.09) sen</u></u>

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2018

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Merger reserve <i>RM'000</i>	Exchange reserve <i>RM'000</i>	(Accumulated losses)/retained earnings <i>RM'000</i>	Total <i>RM'000</i>
Balance at 1 January 2017	4,154	29,425	16,972	1,747	1,328	53,626
Loss for the period	—	—	—	—	(755)	(755)
Other comprehensive loss	—	—	—	(434)	—	(434)
Total comprehensive loss	—	—	—	(434)	(755)	(1,189)
Balance at 31 March 2017	<u>4,154</u>	<u>29,425</u>	<u>16,972</u>	<u>1,313</u>	<u>573</u>	<u>52,437</u>
Balance at 1 January 2018	4,154	29,425	16,972	(564)	(833)	49,154
Loss for the period	—	—	—	—	(2,000)	(2,000)
Other comprehensive loss	—	—	—	(938)	—	(938)
Total comprehensive loss	—	—	—	(938)	(2,000)	(2,938)
Balance at 31 March 2018	<u>4,154</u>	<u>29,425</u>	<u>16,972</u>	<u>(1,502)</u>	<u>(2,833)</u>	<u>46,216</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares (the "**Shares**") were listed on the GEM of the Stock Exchange on 6 July 2016 (the "**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 the Group is principally engaged in the provision of comprehensive international freight services, transportation services as well as warehousing services to customers worldwide.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value. The functional currency of the Company is Hong Kong dollars ("**HK\$**"), while the unaudited condensed consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), which is the functional currency of the Company's major subsidiaries.

The unaudited condensed 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 2017 ("**2017 Financial Statements**") which have been prepared in accordance with the accounting policies which conforms to the HKFRSs. The details of which have been set out in note (i) and note (ii) below.

(a) 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 2018. 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.

(b) New or 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.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
HKFRS 16	Leases ¹
HK(IFRIC)-Int 23	Uncertainty over income tax treatments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² 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.

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 unaudited condensed consolidated 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 2017 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 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 follow:

	Three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Customer I	—	8,687
Customer II	3,376	—

4. REVENUE

	Three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Air freight forwarding and related services	8,923	12,287
Sea freight forwarding and related services	7,335	7,711
Trucking and warehouse and related services	601	1,266
	16,859	21,264

5. LOSS BEFORE INCOME TAX EXPENSE

	Three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Loss before income tax expense is arrived at after charging:		
Depreciation of property, plant and equipment:		
— owned	324	280
— held under finance leases	284	273
Employee costs (including director's remuneration)	3,658	3,453
Finance costs		
— bank overdrafts	53	25
— bank borrowings	192	186
— finance lease	30	65

6. DIVIDENDS

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2018 (2017: nil).

7. INCOME TAX EXPENSE

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

	Three months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Current tax — Malaysia income tax — charge for the year	272	265
Deferred tax — charge for the year	<u>—</u>	<u>—</u>
Income tax expense	<u>272</u>	<u>265</u>

Malaysian income tax is calculated at the statutory rate of 24% (2017: 24%) of the estimated taxable profit for the period. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 18% (2017: 18%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2017: 24%).

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for three months ended 31 March 2018 and 2017.

8. LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods.

The calculation on basic and diluted loss per share is based on the following information:

	Three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Loss		
Loss for the period attributable to owners of the Company	<u>2,000</u>	<u>755</u>
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue during the period	<u>800,000,000</u>	<u>800,000,000</u>

There was no movement on the number of Shares in issue during the respective periods. The weighted average number of ordinary shares used for the purposes of calculating basic loss per share for the months ended 31 March 2018 and 2017 were 800,000,000.

Diluted loss per share are same as the basic loss per share as the Group had no dilutive potential ordinary shares during the three months ended 31 March 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 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 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 three months ended 31 March 2018, our integrated logistics services can be broadly categorised into (1) air freight forwarding and related services; (2) sea freight forwarding and related services; and (3) transportation and warehousing related services.

1. Air Freight Forwarding and Related Services

The revenue from the air freight services was the largest source of income which accounted for approximately RM8.9 million and RM12.3 million for the three months ended 31 March 2018 and 2017, respectively. Revenue from air freight services mainly consists of fee of import & export air freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to air freight. Such revenue is mainly driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume of the Group's air freight forwarding and related services during the period ended 31 March 2018 and 2017 is set out in the table as below:

	For the three months ended	
	31 March	
	2018	2017
	'000 kg	'000 kg
Air freight shipment volume		
(a) Export	924	1,370
(b) Import	950	1,338

2. Sea Freight Forwarding and Related Services

The revenue from the sea freight services accounted for approximately RM7.3 million and RM7.7 million for the three months ended 31 March 2018 and 2017, respectively. Revenue from sea freight services mainly consists of fee of import & export sea freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to sea freight. Such revenue is driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume in Twenty-foot Equivalent Unit (“TEU”) of the Group’s sea freight forwarding and related services during the period ended 31 March 2018 and 2017 is set out in the table as below:

	For the three months ended	
	31 March	
	2018	2017
	TEU	TEU
Sea freight shipment volume		
(a) Export	1,531	1,431
(b) Import	2,717	2,291

3. Trucking and Related Services

(i) *Trucking and Related Services*

The Group’s trucking and related services can be divided into two categories: (i) supporting service for its freight forwarding business; and (ii) service which does not involve sea freight or air freight.

Majority of the transportation revenue was from the supporting services for the Group’s freight forwarding business including income from haulage and trucking services. Such revenue has been taken into account as part of the revenue generated from the air/sea freight forwarding services provided by the Group.

The revenue from the trucking services which does not involve air freight or sea freight accounted for approximately RM0.3 million and RM1.1 million for the three months ended 31 March 2018 and 2017, 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.

(ii) *Warehousing and Related Services*

The Group’s warehousing business mainly serves a supporting role for its freight forwarding services. The Group’s warehousing services provided in Port Klang mainly consisted of general warehousing services. The warehousing services provided in Kuala Lumpur and

Penang airports mainly served as temporary storages of goods for the Group's international air freight business. Therefore, revenue from the Group's warehouse business only accounted for an insignificant portion of less than 2% of the Group's total revenue for the three months ended 31 March 2018 (2017: 1%).

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 RM16.9 million and RM21.3 million for the three months ended 31 March 2018 and 2017, respectively. Majority of the Group's income was attributable to freight charges for the three months ended 31 March 2018 and 2017. For the three months ended 31 March 2018, approximately 52.9% and 43.5% of the Group's revenue was attributable to air freight services and sea freight services, respectively. For the three months ended 31 March 2017, approximately 57.8% and 36.3% of the Group's turnover was attributable to air freight service and sea freight service, respectively.

Revenue for the three months ended 31 March 2018 decreased by approximately 20.7% or approximately RM4.4 million as compared to that of the same period in 2017. The significant decrease was mainly due to revenue from customer I decreased by approximately RM7.3 million and contributed less than 10% of total revenue to the Group for the three months ended 31 March 2018.

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 services for the three months ended 31 March 2018 decreased by approximately 16.9% or RM3.0 million as compared to the same period in 2017.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 41.4% from RM3.3 million for the three months ended 31 March 2017 to RM2.0 million for the three months ended 31 March 2018. It was mainly due to the significant decrease in revenue generated from air freight services where the shipment volume decreased about 30.8% from about 2.7 million kg for the three months ended 31 March 2017 to about 1.9 million kg for the three months ended 31 March 2018. Further, revenue generated from sea freight services for the three months ended 31 March 2018 slightly decreased 4.9% where the shipment volume increased about 14.1% from about 3,722 TEU for the three months ended 31 March 2017 to about 4,248 TEU for the three months ended 31 March 2018. With the combined effects of revenue and cost of services, the Group's gross profit margin declined to 11.6% for the three months ended 31 March 2018 from 15.7% for the three months ended 31 March 2017.

Administrative Expenses

The administrative expenses were approximately RM3.6 million for the three months ended 31 March 2018 (2017: RM3.6 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. For the three months ended 31 March 2018 and 2017, financial cost amounted to approximately RM275,000 and RM276,000, respectively.

Loss for the Period and Loss per Share

The Group recorded a loss of approximately RM2.0 million for the three months ended 31 March 2018 (2017: RM755,000). The Group's loss per share for the three months ended 31 March 2018 was RM0.25 sen (2017: RM0.09 sen).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2018 (2017: nil).

OTHER INFORMATION

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

As at 31 March 2018, 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 corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules (“Model Code”) relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange 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%
Ms. Wen Jianping	Beneficial owner	10,000,000 Shares (L)	1.25%

Notes:

- (1) The letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of RLDC Investment Holdings Limited (“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 31 March 2018, 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 Model Code.

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

As at 31 March 2018, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding
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%
JL Investments Capital Limited	Having a security interest in shares	444,000,000 (L)	55.5%
Mr. Lau Chi Yuen, Joseph	Interest in controlled corporation ⁽⁴⁾	444,000,000 (L)	55.5%
Walgan Investment Limited ("Walgan Investment")	Interest in controlled corporation ⁽⁵⁾⁽⁶⁾	108,550,000 (L)	13.57%
Mr. Gan Ker Wei ("Mr. Gan")	Interest in controlled corporation ⁽⁵⁾⁽⁶⁾	108,550,000 (L)	13.57%
Mrs. Ong Amy Lai Fong	Family interest ⁽⁷⁾	108,550,000 (L)	13.57%
Upright Plan Limited ("Upright Plan")	Beneficial owner	63,950,000 (L)	7.99%
Champion Ascent Limited ("Champion Ascent")	Beneficial owner	44,600,000 (L)	5.58%
Mr. Chang Kin Man ("Mr. Chang")	Interest in controlled corporation ⁽⁶⁾	44,600,000 (L)	5.58%
Mrs. Wong Ping Yuk	Family interest ⁽⁸⁾	44,600,000 (L)	5.58%

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 JL Investments Capital Limited is legally and beneficially owned by Mr. Lau Chi Yuen, Joseph.
- (5) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan.
- (6) 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.
- (7) 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.
- (8) 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 31 March 2018, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted the share option scheme by written resolutions passed by the Shareholders on 17 June 2016. Under the terms of share option scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an eligible person (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any performance criteria which must be satisfied by the eligible person, the Company, and its subsidiaries, before an option may be exercised).

The purpose of the share option scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group.

The Share Option Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme. As at 31 March 2018, there were a total of 80,000,000 Shares, representing 10% of the issued Shares, available for issue under the Share Option Scheme. Since the Share Option Scheme came into effect, no share options were granted, exercised or cancelled by the Company.

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

During the three months ended 31 March 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

COMPETING INTERESTS

As confirmed by the Directors, the Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group during the three months ended 31 March 2018.

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2018, 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 three months ended 31 March 2018.

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.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code for the three months ended 31 March 2018.

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. Lee Kwok Tung Louis and Mr. Liew Weng Keat. Mr. Wong Siu Keung Joe is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

The First Quarterly Financial Statements have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee.

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

Hong Kong, 11 May 2018

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

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