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 2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 RM107.1 million for the year ended 31 December 2016, increased by approximately 28.9% as compared to that of the same period in 2015.
- The gross profit amounted to approximately RM18.0 million for the year ended 31 December 2016, decreased by approximately 13.5% as compared to that of the same period in 2015.
- The Group recorded a net loss of approximately RM7,000 for the year ended 31 December 2016. The loss for the year was mainly due to the recognition of the one-off listing expenses of approximately RM6.6 million, and an additional cost for the establishment of office premises and hiring of staffs in Hong Kong upon Listing. The administrative expenses mainly consist staff cost, listing expenses and depreciation of property, plant and equipment.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2016.

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 2016 together with the comparative audited figures for the year ended 31 December 2015. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *RM'000*	2015 *RM'000*
Revenue	*5*	**107,077**	83,044
Cost of sales		**(89,075)**	(62,231)
Gross profit		**18,002**	20,813
Other revenue		**1,106**	2,122
Administrative expenses		**(19,196)**	(11,788)
Finance costs		**(1,236)**	(1,056)
(Loss)/profit before income tax expense	*6*	**(1,324)**	10,091
Income tax credit/(expense)	*8*	**1,317**	(3,122)
(Loss)/profit for the year attributable to owners of the Company		**(7)**	6,969
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
— Exchange differences arising on translation of financial statements from functional currency to presentation currency		**1,749**	(2)
Total comprehensive income for the year attributable to owners of the Company		**1,742**	6,967
		RM	RM
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share	*9*	**(0.0010 sen)**	1.1615 sen

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RM'000	2015 RM'000
Non-current assets			
Property, plant and equipment		**24,514**	25,103
Prepayment for acquisition of property, plant and equipment		**417**	417
Total non-current assets		**24,931**	25,520
Current assets			
Trade and other receivables	*10*	**35,177**	19,293
Amounts due from directors		**—**	6
Amounts due from shareholders		**—**	7,756
Tax recoverable		**795**	1
Cash and cash equivalents		**33,329**	15,887
Total current assets		**69,301**	42,943
Current liabilities			
Trade and other payables	*11*	**19,836**	14,384
Bank borrowings, secured		**1,824**	950
Tax payable		**39**	1,716
Finance lease obligations		**1,646**	1,728
Total current liabilities		**23,345**	18,778
Net current assets		**45,956**	24,165
Total assets less current liabilities		**70,887**	49,685
Non-current liabilities			
Deferred tax liabilities		**746**	936
Bank borrowings, secured		**13,832**	14,153
Finance lease obligations		**2,683**	4,291
Total non-current liabilities		**17,261**	19,380
Net assets		**53,626**	30,305
Capital and reserves			
Share capital		**4,154**	7,000
Reserves		**49,472**	23,305
Total equity		**53,626**	30,305

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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 principal activities of its subsidiaries (together with the Company, collectively referred to as the "Group") are principally engaged in the provision of comprehensive freight services, transportation service as well as warehousing service to customer worldwide.

The Company's parent is RLDC Investment Holdings Limited (the "RLDC Investment"), a company incorporated in the British Virgin Islands (the "BVI"). 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 2016 were approved and authorized for issue by the directors on 23 March 2017.

2. REORGANISATION AND BASIS OF PRESENTATION

(a) Group reorganisation

Pursuant to a group reorganisation (the "Group Reorganisation") carried out by the Group in preparation for the listing of shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 17 June 2016. Details of the Group Reorganisation are as set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus issued by the Company dated 28 June 2016.

(b) Basis of presentation

The Group Reorganisation involved the combination of a number of entities under common control before and after the Group Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Group Reorganisation, as there has been a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Group Reorganisation.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2016 and 2015 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the common control, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2016 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. All significant intra-group transactions and balances have been eliminated on consolidation.

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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 or revised HKFRSs — effective on 1 January 2016

In the current year, the Group has applied for the first time the following new standards and amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments and standards has no material impact on the Group's financial statements.

(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 HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Share-based Payment[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

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.

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.

Amendments to HKFRS 2 — Share-based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to each performance obligation

- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 — Clarifications to HKFRS 15 Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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:

	2016	2015
	RM'000	*RM'000*
Customer I	**49,563**	26,611
Customer II	**13,518**	11,148

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:

	2016	2015
	RM'000	*RM'000*
Air freight forwarding and related services	**72,869**	47,243
Sea freight forwarding and related services	**31,874**	32,744
Trucking and warehouse and related services	**2,334**	3,057
	107,077	83,044

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	2016	2015
	RM'000	*RM'000*
(Loss)/profit before income tax expense is arrived at after charging:		
Auditor's remuneration	**267**	346
Employee costs	**11,019**	7,611
Write-off of loans and receivables	**—**	242
Write-off of property, plant and equipment	**—**	266
Depreciation of property, plant and equipment:		
— Owned	**1,219**	554
— Held under finance leases	**1,671**	2,042
Minimum lease payments under operating leases recognised as expense in the year	**1,173**	929
Listing expenses (including professional fees and other expenses)	**6,645**	1,445

7. DIVIDENDS

	2016	2015
	RM'000	*RM'000*
Interim dividends attributable to owners of the company *(note a)*	**—**	3,143
Proposed final dividend *(note b)*	**—**	12,000
	—	15,143

Notes:

(a) The interim dividends for the year ended 31 December 2015 amounted to RM3,143,000 represented interim dividends declared by certain group entities to their then shareholders. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the financial statements.

(b) The final dividend in respect of the financial year ended 31 December 2015 amounted to RM12,000,000 represented final dividends proposed by certain group entities to their then shareholders. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the financial statements.

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2016. No interim dividend was declared in respect of the year ended 31 December 2016.

8. INCOME TAX (CREDIT)/EXPENSE

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

	2016	2015
	RM'000	*RM'000*
Current tax — Malaysia income tax		
— charge for the year	**876**	3,105
— over-provision in respect of prior years	**(2,003)**	(388)
	(1,127)	2,717
Deferred tax		
— (credit)/charge for the year	**(190)**	405
Income tax (credit)/expense	**(1,317)**	3,122

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

During the year, a subsidiary of the Group applied for a pioneer certificate from the relevant government body. On 12 May 2016, the Ministry of International Trade and Industry of Malaysia ("MITIM") 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. Subject to certain conditions as agreed upon by the MITIM together with the Malaysian Investment Development Authority and also the final approval by the local tax authority in Malaysia, this subsidiary is 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 year, the local tax authority approved tax exemption for the year 2015. Accordingly, the Group recognised a tax exemption amount of RM1,555,000 for the financial year 2016 and an amount of RM2,003,000 as over-provision of income tax for the prior year.

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 2016 (2015: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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

	2016	2015
	RM'000	*RM'000*
(Loss)/profit before income tax expense	**(1,324)**	10,091
Tax calculated at the domestic tax rate	**285**	2,863
Tax incentive obtained from differential tax rate of 20%	**(42)**	(46)
Tax effect of expenses not deductible for tax purposes	**1,998**	694
Tax effect of revenue not taxable	**(1,555)**	(1)
Over-provision of tax expense in prior year	**(2,003)**	(388)
Income tax (credit)/expense	**(1,317)**	3,122

9. (LOSS)/EARNINGS PER SHARE

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

	2016	2015
	RM'000	*RM'000*
Earnings		
(Loss)/profit for the year attributable to owners of the Company	**(7)**	6,969

	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year	**698,360,656**	600,000,000

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2015 of 600,000,000 represents the number of shares of the Company in issue immediately after the completion of the Capitalisation Issue, as if these shares had been issued throughout 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 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)/earnings per share were the same as the basic (loss)/earnings per share as the Group had no dilutive potential shares during the years ended 31 December 2016 and 2015.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	RM'000	*RM'000*
Trade receivables	**33,933**	17,601
Prepayments and deposits	**586**	1,159
Other receivables	**658**	533
	35,177	19,293

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 at 31 December 2016 and 2015:

	2016	2015
	RM'000	*RM'000*
Within 1 month	**17,054**	8,832
1 to 2 months	**9,191**	6,520
2 to 3 months	**4,126**	1,436
Over 3 months	**3,562**	813
	33,933	17,601

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 2016 and 2015. 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:

	2016	2015
	RM'000	*RM'000*
Neither past due nor impaired	**17,786**	9,034
Past due but not impaired:		
Less than 1 month	**8,625**	6,433
1 to 3 months	**6,131**	1,714
More than 3 months but less than 12 months	**1,391**	420
	16,147	8,567

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

	2016	2015
	RM'000	*RM'000*
Trade payables	**16,704**	9,454
Other payables, accruals and deposits received	**3,132**	4,930
	19,836	14,384

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 at 31 December 2016 and 2015:

	2016	2015
	RM'000	*RM'000*
Within 1 month	**10,587**	3,640
1 to 2 months	**5,312**	4,664
2 to 3 months	**296**	759
Over 3 months	**509**	391
	16,704	9,454

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.

We believe that the Listing will assist the implementation of the Group's business strategies as stated in the prospectus of the Company dated 28 June 2016 (the "Prospectus"). The net proceeds from the IPO 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 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 competes 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 year ended 31 December 2016 (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) transportation and warehousing 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 RM72.9 million (2015: RM47.2 million), representing an increase of about 54.2% 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 2016 and 2015 is set out in the table as below:

	For the year ended 31 December	
	2016	2015
	'000 kg	*'000 kg*
Air freight shipment volume		
(a) Export	**4,757**	2,300
(b) Import	**2,974**	2,700

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

During the Financial Year, the revenue from the sea freight services accounted for approximately RM31.9 million (2015: RM32.7 million), representing a decrease of about 2.7% 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 2016 and 2015 is set out in the table as below:

	For the year ended 31 December	
	2016	2015
	TEU	*TEU*
Sea freight shipment volume		
(a) Export	**5,767**	6,289
(b) Import	**7,888**	6,818

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 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 RM1.9 million (2015: RM2.7 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.

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 many 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.

Financial Review

Revenue

The Group's total revenue amounted to approximately RM107.1 million and RM83.0 million for the year ended 31 December 2016 and 2015. The increase was due to the fact that the Group reasonably lowered its the gross profit margin to attract more customers as well as retaining existing customers and boost the revenue during the fourth quarter 2016. Majority of the Group's income was attributable to freight charges for the year ended 31 December 2016 and 2015. For the year ended 31 December 2016, approximately 68.1% and 29.8% of the Group's revenue was attributable to air freight services and sea freight services, respectively. For the year ended 31 December 2015, approximately 56.9% and 39.4% of the Group's turnover was attributable to air freight service and sea freight service, respectively.

Revenue for the Finance Year increased by approximately 28.9% or approximately RM24.0 million as compared to that of the previous year. It was mainly due to the increase in revenue generated from air freight services where the shipment volume increased about 54.6% from about 5.0 million kg to about 7.7 million kg.

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 Financial Year increased by approximately 43.1% or RM26.8 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, during the fourth quarter, the Company reasonably lowered its gross profit margin in an attempt to attract more customers as well as retaining existing customers and boost the revenue. As a result of it, the gross profit decreased by approximately 13.5% from RM20.8 million for the year ended 31 December 2015 to RM18.0 million for the Financial Year. Despite an increase in revenue 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 for the Financial Year slightly decreased whereas the shipment volume in TEU maintained fairly stable, the gross profit margin for such service was less than the previous year. With the combined effects of revenue and cost of sales, the Group's gross profit margin declined to 16.8% for the Financial Year from 25.1% for the year ended 31 December 2015.

Administrative Expenses

The administrative expenses increased by approximately RM7.4 million, from RM11.8 million for the year ended 31 December 2015 to RM19.2 million for the Financial Year. The significant increase was mainly due to (i) the recognition of the one-off listing expenses of approximately RM6.6 million and (ii) additional cost for the establishment of office premises and hiring of staffs in Hong Kong upon Listing. The administrative expenses mainly consist 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 of approximately RM1.2 million in comparison to the estimated listing expense of approximately RM9.8 million as disclosed in the Prospectus.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings and finance lease. During the Financial Year, the Group's financial cost amounted to approximately RM1.2 million (2015: RM1.1 million). 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 respective periods.

Income Tax Credit/(Expense)

During the Financial Year, the Group recorded an income tax credit of approximately RM1,317,000 and the income tax expense of approximately RM3,122,000 for the year ended 31 December 2015.

During the Financial Year, a subsidiary of the Group applied for a pioneer certificate from the relevant government body. On 12 May 2016, the Ministry of International Trade and Industry of Malaysia ("MITIM") 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. Subject to certain conditions as agreed upon by the MITIM together with the Malaysian Investment Development Authority and also the final approval by the local tax authority in Malaysia, this subsidiary is 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 local tax authority approved tax exemption for the year 2015. Accordingly, the Group recognized a tax exemption amount of RM1,555,000 for the financial year 2016 and an amount of RM2,003,000 as over-provision of income tax for the prior year.

Net (Loss)/Profit and (Loss)/Earnings per Shares

The Group recorded a loss of approximately RM7,000 for the Financial Year and a profit of approximately RM7.0 million for the year ended 31 December 2015. The loss was mainly due to recognition of the one-off listing expenses, and an increase in administrative expense including but not limited to the establishment of office premises and hiring additional staffs in Hong Kong. Nevertheless, in order to cope with the keen competition of air freight business in Malaysia, during the fourth quarter, the Company reasonably lowered its gross profit margin in an attempt to attract more customers as well as retaining existing customers and boost the revenue. The Group's loss per share for the Financial Year was RM0.0010 sen and the earnings per share for the year ended 31 December 2015 was RM1.1615 sen.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2016,

(a) the Group's net current assets was approximately RM46.0 million (2015: RM24.2 million) and the Group had cash and cash equivalents of approximately RM33.3 million (2015: RM15.9 million);

(b) the Group had bank borrowings and finance lease obligations of approximately RM15.7 million (2015: RM15.1 million) and RM4.3 million (2015: RM6.0 million) respectively;

(c) the Group's current ratio was approximately 3.0 times (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 37.3% (31 December 2015: 69.7%); and

(d) the Group's total equity attributable to owners of the Company amounted to RM53.7 million (2015: RM30.3 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 (2015: nil).

Significant Investments Held by the Group

As at 31 December 2016, there was no significant investment held by the Group (2015: Nil).

Material Acquisitions and Disposals of Subsidiaries

The companies comprising the Group underwent the reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the Listing. Details of the Reorganisation were set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus. Save for the Reorganisation, there was no other material acquisitions and disposals of subsidiaries during the Financial Year.

Capital Commitments

As at 31 December 2016, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM734,000 (2015: RM3,151,000).

Pledge of Assets

At the 31 December 2016, certain of the Group's land and buildings with net carrying amount of RM14,716,000 (2015: RM14,504,000) 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 in section headed "Comparison of business objectives and strategies with actual business progress" of 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 2016, bank guarantees of RM538,000 of the Group (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.

Foreign Currency Risk

The Group derives a significant portion of its revenue in United States Dollar ("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 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.

Events after the Reporting Date

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2016 and up to the date of this announcement.

Employees and Remuneration Policy

As at 31 December 2016, the Group has a total of 185 (2015: 157) full-time employees. The total employees remuneration including remuneration of the Directors for the Financial Year amounted to RM11.0 million (2015: RM7.6 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 2016 (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	Further expansion of Malacca & Johor branches	The Group is in progress of hiring more new sales staff to promote and further expand Melaka & Southern region markets
2. Expand the scope of services	Engagement of market research team to conduct research in rail freight services	The Group has conducted market research ourselves on rail freight, warehousing & distribution in line with the "Belt & Road" initiative. New staffs will be hired & to be stationed at Padang Besar, Perlis to expand the scope of services
3. Further strengthen the information technology systems	Software development (Freight Management 3000)	FM3000 air & sea module have been implemented. Other modules are still in progress of implementation
4. Attract and retain talented and experienced employees	Recruitment costs for new talents	The Group has hired new talent to further growth of our business

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:

	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*
Further expand its representative/branch office in major gateways of Malaysia	1.3	—
Expand the scope of services	0.1	—
Further strengthen the information technology systems	1.4	0.4
Attract and retain talented and experienced employees	0.1	0.1
Repay loans	1.9	1.4
Total	4.8	1.9

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").

As the shares of Company were successfully listed on GEM on 6 July 2016 (the "Listing Date"), the CG Code was not applicable to the Company for the period from 1 January 2016 to 5 July 2016, being the date immediately before the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code during the Relevant Period.

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

The Shares of were successfully listed on GEM on 6 July 2016. Save as disclosed in the Prospectus, 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 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. Lee Kwok Tung Louis, Mr. Liew Weng Keat and Mr. Wong Siu Keung, Joe ("Mr. Wong"). 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 2016 have been reviewed by the audit committee, who is of the opinion that such statements comply with applicable accounting standards, the 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 2016 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 Financial Year will be held on Friday, 19 May 2017. 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 16 May 2017 to 19 May 2017, 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 31/F, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on 15 May 2017 for registration.

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

Hong Kong, 23 March 2017

As at the date of this announcement, 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. 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.