

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 REPORT 2020



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

FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately RM15.9 million for the three months ended 31 March 2020, decreased by approximately 7.1% as compared to that of the same period in 2019.
- The gross profit amounted to approximately RM2.3 million for the three months ended 31 March 2020, decreased by approximately 9.6% as compared to that of the same period in 2019.
- The Group recorded a net loss of approximately RM1.2 million for the three months ended 31 March 2020.
- The Board does not recommend the payment of interim dividend for the three months ended 31 March 2020.



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 2020 (the “**First Quarterly Financial Statements**”) together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Notes	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Revenue	4	15,916	17,125
Cost of sales		(13,587)	(14,549)
Gross profit		2,329	2,576
Other revenue		90	81
Administrative expenses		(3,348)	(4,353)
Finance costs		(198)	(267)
Loss before income tax expense	5	(1,127)	(1,963)
Income tax expense	7	(81)	(132)
Loss for the period attributable to owners of the Company		(1,208)	(2,095)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translation of foreign operations		503	(280)
Total comprehensive loss for the period attributable to owners of the Company		(705)	(2,375)
Loss per share			
Basic and diluted loss per share	8	(0.15) sen	(0.26) sen

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Share capital	Share premium	Merger reserve	Exchange reserve	(Accumulated losses)/ retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2019	4,154	29,425	16,972	(222)	(4,731)	45,598
Loss for the period	—	—	—	—	(2,095)	(2,095)
Other comprehensive loss	—	—	—	(280)	—	(280)
Total comprehensive loss	—	—	—	(280)	(2,095)	(2,375)
Balance at 31 March 2019	4,154	29,425	16,972	(502)	(6,826)	43,223
Balance at 1 January 2020	4,154	29,425	16,972	(348)	(9,261)	40,942
Loss for the period	—	—	—	—	(1,208)	(1,208)
Other comprehensive income	—	—	—	503	—	503
Total comprehensive income	—	—	—	503	(1,208)	(705)
Balance at 31 March 2020	4,154	29,425	16,972	155	(10,469)	40,237



NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

1. Corporate Information and Reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares (the "**Shares**") were listed on the GEM of the Stock Exchange on 6 July 2016. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong and Malaysia are located at Unit 5D, 5/F, Hang Cheong Factory Building, No. 1 Wing Ming Street, Kowloon, 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 2019 ("**2019 Financial Statements**") which have been prepared in accordance with the accounting policies which conforms to the HKFRSs.

(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 2020. 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.

2. Basis of Preparation and Accounting Policies (Continued)

(b) New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRS that have been issued but are not yet effective:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ²

¹ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2020

The application of other new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

3. Segment Information

(a) Business segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The following summary describes the operations in each of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15:

	Three months ended 31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Freight forwarding and related services	15,916	14,519
Trading of used mobile phones	—	2,606
	15,916	17,125

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is measure of adjusted loss before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation except that interest income as well as head office and corporate expenses are excluded from such measurement.



3. Segment Information (Continued)

(a) Business segment (Continued)

For the three months ended 31 March:

	Freight forwarding and related services		Trading of used mobile phones		Total	
	2020 (unaudited) RM'000	2019 (unaudited) RM'000	2020 (unaudited) RM'000	2019 (unaudited) RM'000	2020 (unaudited) RM'000	2019 (unaudited) RM'000
Revenue from external customers	15,916	14,519	—	2,606	15,916	17,125
Reportable segment (loss)/profit	(554)	(939)	—	67	(554)	(872)
Interest income	82	70	—	—	82	70
Finance costs	(198)	(257)	—	—	(198)	(257)
Depreciation of property, plant and equipment and right-of-use assets						
— allocated	(649)	(776)	—	—	(649)	(776)
— unallocated	—	—	—	—	—	(103)
					(649)	(879)
Taxation	81	(132)	—	—	81	(132)

(b) Geographic information

Information about the Group's revenue from external customers is presented based on the location of the operation. For revenue from cross-border transportation services, it is presented based on the location where the contract is negotiated and effected.

The following table provides an analysis of the Group's revenue from external customers.

	Three months ended 31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Malaysia (place of domicile)	11,797	14,519
The People's Republic of China ("PRC") including Hong Kong	4,119	2,606
Total	15,916	17,125

4. Revenue

	Three months ended 31 March	
	2020	2019
	(Unaudited) RM'000	(Unaudited) RM'000
Services under freight forwarding and related service segment being transferred over time:		
Air freight forwarding and related services	4,502	5,412
Sea freight forwarding and related services	6,861	8,563
Trucking and warehouse and related services	4,553	544
	15,916	14,519
Goods under trading of used mobile phone segment being transferred at a point of time		
Sales of used mobile phones	—	2,606
	15,916	17,125

5. Loss Before Income Tax Expense

	Three months ended 31 March	
	2020	2019
	(Unaudited) RM'000	(Unaudited) RM'000
Loss before income tax expense is arrived at after charging:		
Depreciation of property, plant and equipment and right-of-use assets:		
— owned	246	359
— held under finance leases	—	301
— right-of-use assets	403	219
Employee costs (including director's remuneration)	3,316	3,798
Finance costs		
— bank overdrafts	17	53
— bank borrowings	149	163
— finance lease	—	30
— lease liabilities	32	21



6. Dividends

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2020 (2019: nil).

7. Income Tax Expense

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

	Three months ended 31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Current tax		
Malaysia income tax		
— charge for the period	81	132
Hong Kong profits tax		
— charge for the period	—	—
	81	132
Deferred tax		
— charge for the period	—	—
Income tax expense	81	132

Malaysian income tax is calculated at the statutory rate of 24% (2019: 24%) of the estimated taxable profit for the period. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 18% (2019: 18%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2019: 24%).

Hong Kong profits tax is provided at tiered rates of 8.25% on the first HK\$2 million and 16.5% for the remainder (2019: 16.5%) on estimated assessable profits arising from Hong Kong during the period. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Loss		
Loss for the period attributable to owners of the Company	1,208	2,095
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue during the period	800,000,000	800,000,000

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 three months ended 31 March 2020 and 2019 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 2020 and 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Integrated logistic service business

The Group offers a comprehensive and wide range of services to meet its customers' needs, including air/sea freight forwarding and related services, trucking and warehousing related services. In addition, the Group provides value-added services such as supply chain management services including pick & pack, distribution and stock & inventory report, security escort services and tracking services. These services are complementary to one another, and provide customers a wide range of services with cost savings. Although the freight forwarding industry in Malaysia is highly fragmented and competitive, in particular, we directly and indirectly compete with other integrated logistics service providers on a local, regional and international basis in the form of pricing, range of services provided, information technology and network of customer, the Group implement the logistics service in Hong Kong with the intention to strengthen the market position. The Group closely monitor the market situations and make necessary adjustments to its strategies and operations.

During the three months ended 31 March 2020, 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 and related services.

1. *Air Freight Forwarding and Related Services*

The revenue from the air freight services was the second largest source of income, which accounted for approximately RM4.5 million and RM5.4 million for the three months ended 31 March 2020 and 2019, 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 2020 and 2019 is set out in the table as below:

	For the three months ended 31 March	
	2020 '000 kg	2019 '000 kg
Air freight shipment volume		
(a) Export	1,457	639
(b) Import	497	1,072

2. *Sea Freight Forwarding and Related Services*

The revenue from the sea freight services was the largest source of income, which accounted for approximately RM6.9 million and RM8.6 million for the three months ended 31 March 2020 and 2019, 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 2020 and 2019 is set out in the table as below:

	For the three months ended 31 March	
	2020 TEU	2019 TEU
Sea freight shipment volume		
(a) Export	2,119	2,555
(b) Import	2,020	2,769



3. *Trucking and Warehousing and Related Services*

(i) *Trucking and Related Services*

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

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

The revenue from the trucking services which does not involve air freight or sea freight accounted for approximately RM4.6 million and RM0.5 million for the three months ended 31 March 2020 and 2019, respectively. Revenue from such services mainly consists of delivery fee for trucking services for both Hong Kong and Malaysia. Such revenue is mainly driven by the volume of goods delivered, and the numbers of trips and types of customers served, among other factors.

(ii) *Warehousing and Related Services*

The Group's warehousing business mainly serves a supporting role for its freight forwarding services. The Group's warehousing services provided in Port Klang mainly consisted of general warehousing services. The warehousing services provided in Kuala Lumpur and Penang airports mainly served as temporary storages of goods for the Group's international air freight business. Therefore, revenue from the Group's warehouse business only accounted for an insignificant portion of less than 1% of the Group's total revenue for the three months ended 31 March 2020 (2019: 1%).

4. *Trading of used mobile phones business*

Due to keen market competition, management are carrying out a comprehensive review on the market in relation to trading of used mobile phones. Therefore, the Group did not generate revenue from trading of used mobile phones during the three months ended 31 March 2020. During the three months ended 31 March 2019, the Group recorded a revenue from the trading of used mobile phones of approximately RM2.6 million.

Future Prospects and Outlook

The Group aims to strengthen its position as an integrated logistics solution service provider in both Hong Kong and Malaysia. The Directors believe that there are (i) 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 (iii) new business opportunities with Chinese and international clients with widening the borders of the ASEAN countries. To achieve this, the Group intends to further expand its business in major gateways of Malaysia and China and expand the scope of services to cover cross border trucking, haulage and rail freight.

The Group has attracted a new customer which is a forwarding agent of a world leading multinational engineering and electronics company headquartered in Germany. It is expected that the new customer will generate recurring business and it may have a positive impact on our revenue. Besides, the Group has an intention to expand the logistics business in Hong Kong in order to absorb more Chinese and international clients. The Board is of the view that the logistics business will broaden its revenue base. It is expected that it may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

Financial Review

Integrated logistics services business

Revenue

The Group's total revenue from the integrated logistics services amounted to approximately RM15.9 million and RM14.5 million for the three months ended 31 March 2020 and 2019, respectively. For the three months ended 31 March 2020, approximately 28.3% and 43.1% of the Group's revenue was attributable to air freight services and sea freight services, respectively. For the three months ended 31 March 2019, approximately 31.6% and 50.0% of the Group's revenue was attributable to air freight service and sea freight service, respectively.



Revenue from the integrated logistics services for the three months ended 31 March 2020 decreased by approximately 9.6% or approximately RM1.4 million as compared to that of the same period in 2019. The decrease was mainly due to revenue from air freight forwarding and sea freight service decreased by approximately RM2.6 million as compared with the last period. On the other hand, the trucking and related services increased by approximately 4.0 million for the period ended 31 March 2020 which was mainly due to the implementation of logistics service in Hong Kong. With the combined effect of logistics service business and trucking and related services, the Group's revenue decreased by approximately 7.1% for the period ended 31 March 2020.

Cost of Sales

Major components of the cost of sales were freight charges of cargo spaces. The Group obtains cargo space from international airlines and shipping liners, their agents/overseas freight forwarders at the rate depending on freight destination and volume/weight, among other factors. The Group charges its customers based on the cost quoted by the suppliers plus a reasonable profit margin.

In line with the decrease in revenue, the cost of sales decreased by approximately 6.6% from RM14.6 million for the three months ended 31 March 2019 to RM13.6 million for the three months ended 31 March 2020.

Gross Profit and Gross Profit Margin

The gross profit decrease by approximately 9.6% from RM2.6 million for the three months ended 31 March 2019 to RM2.3 million for the three months ended 31 March 2020. It was mainly due to revenue generated from sea freight services for the three months ended 31 March 2020 decreased 19.9% where the shipment volume decreased about 22.3% from about 5,324 TEU for the three months ended 31 March 2019 to about 4,139 TEU for the three months ended 31 March 2020. With the combined effects of revenue and cost of sales, the Group's gross profit margin of integrated logistics services decreased to 14.6% for the three months ended 31 March 2020 from 15.0% for the three months ended 31 March 2019.

Administrative Expenses

The administrative expenses were approximately RM3.3 million for the three months ended 31 March 2020 (2019: RM4.4 million). The administrative expenses mainly consist of staff cost, operating leases and depreciation of property, plant and equipment and right-of-use assets.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings, finance lease and lease liabilities. For the three months ended 31 March 2020 and 2019, financial cost amounted to approximately RM198,000 and RM267,000, respectively.

Loss for the Period and Loss per Share

The Group recorded a loss of approximately RM1.2 million for the three months ended 31 March 2020 (2019: RM2.1 million). The Group's loss per share for the three months ended 31 March 2020 was RM0.15 sen (2019: RM0.26 sen).

Interim Dividend

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2020 (2019: 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 2020, 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
Ms. Wen Jianping	Beneficial owner	10,000,000 Shares (L)	1.25%

Note:

(1) The letter “L” denotes the person’s long position in the relevant Shares.

Save as disclosed above, as at 31 March 2020, 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 2020, 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
JL Investments Capital Limited ("JL Investments")	Person having a security interest in shares ⁽²⁾	232,000,000 (L)	29.00%
Mr. Lau Chi Yuen, Joseph ("Mr. Lau")	Interest in controlled corporation ⁽²⁾	232,000,000 (L)	29.00%
Mr. Choi Ming Hei ("Mr. Choi")	Interest in controlled corporation ⁽³⁾	137,000,000 (L)	17.13%
World Oasis Limited ("World Oasis")	Beneficial owner ⁽³⁾	137,000,000 (L)	17.13%
Walgan Investment Limited ("Walgan Investment")	Interest in controlled corporation ⁽⁴⁾	46,320,000 (L)	5.79%
Mr. Gan Ker Wei ("Mr. Gan")	Interest in controlled corporation ⁽⁴⁾	46,320,000 (L)	5.79%
Mrs. Ong Amy Lai Fong	Family interest ⁽⁵⁾	46,320,000 (L)	5.79%
Upright Plan Limited ("Upright Plan")	Beneficial owner	46,320,000 (L)	5.79%



Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares.
- (2) Mr. Lau has 100% of direct interest in JL Investments. Therefore, Mr. Lau is deemed to be interested in 232,000,000 Shares held by JL Investments.
- (3) Mr. Choi has 100% of direct interest in World Oasis. Therefore, Mr. Choi is deemed to be interested in 137,000,000 Shares held by World Oasis.
- (4) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan.
- (5) 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.

Save as disclosed above, as at 31 March 2020, 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 2020, 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 2020, 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 2020.

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 2020.

Corporate Governance Code

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Save for the deviation from CG Code provision A.2.1, 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, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

The Board understands the importance of the Chief Executive Officer. Hence, the Group will recruit a suitable person who has an extensive understanding of the Group's business as soon as possible to manage the day-to-day business. 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 2020.



Audit Committee

The Company established the audit committee of the Company (the “**Audit Committee**”) on 17 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises all independent non-executive Directors: Mr. Wong Siu Keung Joe, Ms. Wong Hoi Yan Audrey and Mr. Ma Kin Hung. Mr. Wong Siu Keung Joe is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

The 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
Lai Kwok Hei
Chairman

Hong Kong, 8 May 2020