WORLDGATE GLOBAL LOGISTICS LTD
盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8292

INTERIM REPORT 2020

CHARACTERISTICS OF THE 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 RM33.9 million for the six months ended 30 June 2020, increased by approximately 6.5% as compared to that of the same period in 2019.

- The gross profit amounted to approximately RM5.4 million for the six months ended 30 June 2020, increased by approximately 17.3% as compared to that of the same period in 2019.

- The Group recorded a net loss of approximately RM2.5 million for the six months ended 30 June 2020.

- The Board does not recommend the payment of interim dividend for the six months ended 30 June 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 and six months ended 30 June 2020 (the "**Interim Financial Statements**") together with the comparative figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

		Three months ended 30 June		Six months ended 30 June	
		2020	2019	**2020**	2019
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	*4*	**17,998**	14,714	**33,914**	31,839
Cost of services		**(14,924)**	(12,684)	**(28,511)**	(27,233)
Gross profit		**3,074**	2,030	**5,403**	4,606
Other revenue		**595**	187	**685**	268
Administrative expenses		**(4,658)**	(3,747)	**(8,006)**	(8,100)
Finance costs		**(275)**	(223)	**(473)**	(490)
Loss before income tax expense	*5*	**(1,264)**	(1,753)	**(2,391)**	(3,716)
Income tax expense	*7*	**(64)**	(111)	**(145)**	(243)
Loss for the period attributable to owners of the Company		**(1,328)**	(1,864)	**(2,536)**	(3,959)
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
— Exchange differences on translation foreign operations		**73**	(247)	**576**	378
Total comprehensive loss for the period attributable to owners of the Company		**(1,255)**	(2,111)	**(1,960)**	(3,581)
Loss per share					
Basic and diluted loss per shares	*8*	**(0.17) sen**	(0.23) sen	**(0.32) sen**	(0.49) sen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
Non-current assets			
Property, plant and equipment		16,770	18,180
Right-of-use assets		6,951	7,758
		23,721	25,938
Current assets			
Trade and other receivables	*9*	21,568	15,673
Tax recoverable		364	170
Cash and cash equivalents		15,578	21,265
Total current assets		37,510	37,108
Current liabilities			
Trade and other payables	*10*	5,751	4,238
Contract liabilities		485	485
Bank borrowings, secured		1,482	1,482
Lease liabilities		1,478	1,478
Tax payable		25	—
Total current liabilities		9,221	7,683
Net current assets		28,289	29,425
Total assets less current liabilities		52,010	55,363

	Notes	As at 30 June 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
Non-current liabilities			
Deferred tax liabilities		757	733
Bank borrowings, secured		10,706	11,183
Lease liabilities		1,565	2,505
Total non-current liabilities		13,028	14,421
Net assets		38,982	40,942
Capital and reserves			
Share capital	*11*	4,154	4,154
Reserves		34,828	36,788
Total equity		38,982	40,942

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share Capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000	(Accumulated losses)/ retained earnings RM'000	Total RM'000
Balance at 1 January 2019	4,154	29,425	16,972	(222)	(4,731)	45,598
Adjustments on initial application of HKFRS 16 — leases	—	—	—	—	(22)	(22)
Balance at 1 January 2019 (adjusted)	4,154	29,425	16,972	(222)	(4,753)	45,576
Loss for the period	—	—	—	—	(3,959)	(3,959)
Other comprehensive income	—	—	—	378	—	378
Total comprehensive loss	—	—	—	378	(3,959)	(3,581)
Balance at 30 June 2019	4,154	29,425	16,972	156	(8,712)	41,995
Balance at 1 January 2020	4,154	29,425	16,972	(348)	(9,261)	40,942
Loss for the period	—	—	—	—	(2,536)	(2,536)
Other comprehensive income	—	—	—	576	—	576
Total comprehensive income/(loss)	—	—	—	576	(2,536)	(1,960)
Balance at 30 June 2020	4,154	29,425	16,972	228	(11,797)	38,982

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Net cash (used in)/generated from operating activities	(5,510)	1,607
Cash flows from investing activities		
Purchases of property, plant and equipment	(21)	(156)
Proceeds from disposal of property, plant and equipment	65	6
Interest received	153	146
Net cash used in investing activities	197	(4)
Cash flows from financing activities		
Repayment of bank borrowings	(477)	(1,093)
Interest paid on bank borrowings	(340)	(408)
Repayment of finance lease obligations	–	(446)
Interest paid on lease liabilities	(133)	(44)
Net cash used in financing activities	(950)	(1,991)
Net (decrease)/increase in cash and cash equivalents	(6,263)	(388)
Effects of exchange rate changes on cash and cash equivalents	576	378
Cash and cash equivalents at beginning of period	21,265	24,184
Cash and cash equivalents at end of period	15,578	24,174

NOTES TO THE FINANCIAL INFORMATION (UNAUDITED)

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 (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 5D, 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 and trading of used mobile phones in Hong Kong.

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. The details of which have been set out 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 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 30 June		Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Freight forwarding and related services	17,998	13,225	33,914	27,744
Trading of used mobile phones	—	1,489	—	4,095
	17,998	14,714	33,914	31,839

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 six months ended 30 June:

	Freight forwarding and related services		Trading of 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 customer	33,914	27,744	–	4,095	33,914	31,839
Reportable segment (loss)/profit	410	(135)	–	134	410	(1)
Interest income	153	268	–	–	153	268
Finance costs	(473)	(468)	–	–	(473)	(468)
Depreciation of property, plant and equipment and right-of-use assets						
— Allocated	(2,238)	(1,554)	–	–	(2,238)	(1,554)
— Unallocated					(243)	(1,961)
					(2,391)	(3,716)
Taxation	(145)	(243)	–	–	(145)	(243)

(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 30 June		Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Malaysia (place of domicile)	11,367	13,225	23,164	27,744
The People's Republic of China ("**PRC**") including Hong Kong	6,631	1,489	10,750	4,095
	17,998	14,714	33,914	31,839

4. Revenue

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Air freight forwarding and related services	4,346	4,151	8,848	9,563
Sea freight forwarding and related services	6,664	8,642	13,525	17,205
Trucking and warehouse and related services	6,988	432	11,541	976
Goods under trading of used mobile phone segment being transferred at a point of time	—	1,489	—	4,095
	17,998	14,714	33,914	31,839

5. Loss Before Income Tax Expense

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Loss before income tax expense is arrived at after charging:				
Depreciation of property, plant and equipment:				
— owned	1,185	733	1,431	1,092
— held under finance leases	—	70	—	231
— rights of use assets	404	218	807	437
Employee costs (including director's remuneration)	2,826	3,855	6,142	7,653
Finance costs				
— bank overdrafts	15	14	32	67
— bank borrowings	159	178	308	341
— finance lease	—	14	—	44
— lease liabilities	101	17	133	38

6. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: nil).

7. Income Tax Expense

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RM'000	RM'000	**RM'000**	RM'000
Current tax — Malaysia income tax				
— charge for the year	**39**	111	**120**	243
Hong Kong profits tax				
— charge for the period	**25**	—	**25**	—
Deferred tax				
— charge for the year	**—**	—	**—**	—
Income tax expense	**64**	111	**145**	243

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 30 June		Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Loss				
Loss for the period attributable to owners of the Company	1,328	1,864	2,536	3,959
	Number of shares			
Shares				
Weighted average number of ordinary shares in issue during the period	800,000,000	800,000,000	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 six months ended 30 June 2020 and 2019 were 800,000,000.

Diluted loss per share are same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019.

9. Trade and Other Receivables

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

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

	As at 30 June 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
Within 1 month	15,793	7,542
1 to 2 months	2,163	3,756
2 to 3 months	922	867
Over 3 months	216	2,070
	19,094	14,235
Other receivables	1,045	362
Prepayment and deposits	1,429	1,076
	21,568	15,673

At the end of each of the reporting periods, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment has been recognized as at 30 June 2020 and 31 December 2019. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

10. Trade and Other Payables

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

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

	As at 30 June 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
Current or less than 1 month	2,603	1,761
1 to 2 months	600	1,199
2 to 3 months	173	203
More than 3 months but less than 12 months	280	49
	3,656	3,212
Other payables	2,095	1,026
	5,751	4,238

11. Share Capital

	Number of shares	Amount RM'000	Amount HK'000
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2019, 31 December 2019 and 30 June 2020	1,000,000,000	5,383	10,000
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 30 June 2020	800,000,000	4,154	8,000

12. Related Party Transactions

The remuneration of directors and other members of key management were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Wages and Salaries	243	4,298	481	7,508
Contributions to retirement benefits schemes	5	1,291	10	1,291
	248	5,589	491	8,799

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

For the six months ended 30 June 2020, our integrated logistics services can be broadly categorized 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 accounted for approximately RM8.8 million and RM9.6 million for the six months ended 30 June 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 30 June 2020 and 2019 is set out in the table as below:

	For the six months ended 30 June	
	2020	2019
	'000 kg	'000 kg
Air freight shipment volume		
(a) Export	**2,223**	1,999
(b) Import	**879**	1,457
	3,102	3,456

2. Sea Freight Forwarding and Related Services

The revenue from the sea freight services accounted for approximately RM13.5 million and RM17.2 million for the six months ended 30 June 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 30 June 2020 and 2019 is set out in the table as below:

	For the six months ended 30 June	
	2020	2019
	TEU	TEU
Sea freight shipment volume		
(a) Export	**4,236**	4,951
(b) Import	**3,953**	5,501
	8,189	10,452

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 RM11.5 million and RM0.6 million for the six months ended 30 June 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 as 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 six months ended 30 June 2020 (2019: less than 1%).

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 six months ended 30 June 2020. During the six months ended 30 June 2019, the Group recorded a revenue from the trading of used mobile phones of approximately RM4.1 million.

Future Prospects and Outlook

In the first six months of 2020, the Group continues to see increasing challenge with the unprecedented impact of COVID-19 on the global economic outlook, which also impacted the general economic and market conditions in Malaysia and Hong Kong and the industry in which we operate.

The second half of 2020 continues to be confronted by the impact of the COVID-19 pandemic. Management is continuously monitoring the situation and strengthen the position as an integrated logistics solutions 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

Revenue

The Group's total revenue amounted to approximately RM33.9 million and RM31.8 million for the six months ended 30 June 2020 and 2019, respectively. Majority of the Group's income was attributable to freight charges for the six months ended 30 June 2020 and 2019. For the six months ended 30 June 2020, approximately 34.0% and 39.9% of the Group's revenue was attributable to trucking and warehouse services and sea freight services, respectively.

Revenue for the six months ended 30 June 2020 increased by approximately 6.5% or approximately RM2.1 million as compared to that of the same period in 2019. The increase was mainly due to the increased of trucking and warehouse and related services by approximately RM10.6 million for the six months ended 30 June 2020.

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 increase in revenue, the cost of services for the six months ended 30 June 2020 increased by approximately 4.7% or RM1.3 million as compared to the same period in 2019.

Gross Profit and Gross Profit Margin

The gross profit increased by approximately 17.3% from RM4.6 million for the six months ended 30 June 2019 to RM5.4 million for the six months ended 30 June 2020. It was mainly due to the revenue generated from trucking and warehouse and related services for the six months ended 30 June 2020 increased 1,082%. With the combined effects of revenue and cost of services, the Group's gross profit margin increase to 15.9% for the six months ended 30 June 2020 from 14.5% for the six months ended 30 June 2019.

Administrative Expenses

The administrative expenses were approximately RM8.0 million for the six months ended 30 June 2020 (2019: RM8.1 million). The administrative expenses mainly consist staff cost, utilities expense and depreciation of property, plant and equipment.

Finance Costs

Finance costs represent interest on bank overdrafts and bank borrowings. For the six months ended 30 June 2020 and 2019, financial cost amounted to approximately RM473,000 and RM490,000, respectively.

Loss for the Period and Loss per Share

The Group recorded a loss of approximately RM2.5 million for the six months ended 30 June 2020 (2019: RM4.0 million). The Group's loss per share for the six months ended 30 June 2020 was RM0.32 sen (2019: RM0.49 sen).

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020,

(a) the Group's net current assets was approximately RM28.3 million (31 December 2019: RM29.4 million) and the Group had cash and cash equivalents of approximately RM15.6 million (31 December 2019: RM21.3 million);

(b) the Group had bank borrowings and lease liabilities of approximately RM12.2 million (31 December 2019: RM12.7 million) and RM3.0 million (31 December 2019: RM4.0 million);

(c) the Group's current ratio was approximately 4.1 times (31 December 2019: 4.8 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 39.1% (31 December 2019: 40.8%);

(d) the Group's total equity attributable to owners of the Company amounted to RM39.0 million (31 December 2019: RM40.9 million). The capital of the Company mainly comprises share capital and reserves.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: nil).

Contingent Liabilities

As at 30 June 2020, the Group did not have any bank guarantees of the Group (31 December 2019: nil) were issued to suppliers for operational requirements. The Directors do not consider probable that a claim will be made against the Group under these guarantees.

Pledge of Assets

At the 30 June 2020, certain of the Group's land and buildings with net carrying amount of RM13.0 million (31 December 2019: RM13.2 million) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Capital Commitments

As at 30 June 2020, the Group did not have any capital commitments related to purchase of property, plant and equipment (31 December 2019: Nil).

Material Acquisitions and Disposals of Subsidiaries

The Group has no material acquisitions and disposals of subsidiaries for the six months ended 30 June 2020.

Significant Investments Held by the Group

As at 30 June 2020, there was no significant investment held by the Group (31 December 2019: nil).

Future Plan for Material Investments and Capital Assets

On 24 February 2020, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of one-third of the issued share capital in the Target Company, which is principally engaged in provision IPO sponsorship services, advisory services with respect to corporate finance transactions, equity financing and private equity investment. Details of the acquisition was set out in the Company announcements dated 24 February 2020.

Save as disclosed above, the Group does not have any concrete plan for material investments or capital assets as at 30 June 2020.

Foreign Currency Risk

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

As at 30 June 2020 and 31 December 2019, the Group did not enter into any foreign currency forward contracts. However, the management will monitor the foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Employees and Remuneration Policy

The Group has a total of 191 and 179 full-time employees as at 30 June 2020 and 31 December 2019 respectively. The total employee remuneration including remuneration of the Directors for the six months ended 30 June 2020 amounted to RM6.1 million (2019: RM7.7 million). The Group recognizes 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 30 June 2020 (the "**Relevant Period**") is set out below:

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
1. Further expand its representative/branch office in major gateways of Malaysia	a. Further expansion of Malacca & Johor branches	The Group is in progress of hiring more new sales staff to promote and further expand Northern, Southern & Central region markets.

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
	b. Establishment of office in Padang Besar, Perlis, Malaysia (Thailand border) and warehouse in Penang	A new sales executive has been hired to further expand the markets in Peninsular Malaysia.
	c. Additional cost for upgrading requirements of the new offices	The Group is still exploring new business opportunities.
2. Expand the scope of services	a. Engagement of market research team to conduct research in rail freight services	The Group has conducted market research on an in-house basis on rail freight, warehousing & distribution in line with the "Belt & Road" initiative. New staff will be hired & to be stationed at Padang Besar, Perlis to expand the scope of services.
	b. Cost of establishing a small business development team	The Group has taken efforts to intensify market promotion in Malaysia as well as in the international market places through participation in several international conferences and events for better networking & market promotion; The Group has upgraded warehouse with racking system to increase the lettable space for optimum benefits; The Group has upgraded warehouse with loading bay & awning.

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
3. Further strengthen the information technology systems	a. Software development (Freight Management 3000)	The Group has replaced the Freight Management 3000 and Sysfreight system with a new integrated system Sovy Logistic Solutions.
	b. Purchase of network equipment and upgrading the computers	Upgrading of old computer to new one. Hiring of new IT personnel to oversee the IT Department.
4. Attract and retain talented and experienced employees	Recruitment costs for new talents	New talents were hired to grow the business further. Engagement of an management representative officer to oversee the Group's processes, performance and brand development towards a sustainable business growth.
5. Grow the business strategically through business acquisitions in Singapore	a. Payment for potential targets	Reallocation of HK$15 million for setting up the logistics business in Hong Kong and HK$2.7 million as general working capital.
	b. consideration for acquisition	

Use of Proceeds from Placing

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

Business strategies as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus during the Relevant Period	Changed use of net proceeds as stated in the announcement dated 12 November 2019	Actual use of proceeds during the Relevant Period	Remaining balance after revised use of proceeds	Expected timeline of fully utilisation of the balance
	HK$' million	HK$' million	HK$' million	HK$' million	HK$' million
1. Further expand its representative/branch office in major gateways of Malaysia	14.6	14.6	2.8	11.8	End of 2021
2. Expand the scope of services	4.4	4.4	0.5	3.9	End of 2021
3. Further strengthen the information technology systems	6.5	6.5	2.6	3.9	End of 2021
4. Attract and retain talented and experienced employees	0.3	0.3	0.3	–	–
5. Grow the business strategically through business acquisitions and business collaborations	17.7	–	–	–	–
6. Repay loans	3.4	3.4	3.4	–	–
7. Working Capital	4.7	7.4	7.2	0.2	End of 2020
8. Setting up the logistics business in Hong Kong	–	15.0	15.0	–	–
Total	51.6	51.6	31.8	19.8	

OTHER INFORMATION

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

As at 30 June 2020, none of the Directors and the chief executives of the Company has any interest or short positions 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 of Hong Kong Limited (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, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange, pursuant to the GEM Listing Rules relating to securities transactions by the Directors.

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

As at 30 June 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%

Name of shareholders	Capacity/ Nature of interest	Number of Shares held[1]	Percentage of shareholding
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[4]	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 30 June 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 30 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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, Mr. Ma Kin Hung and Ms. Wong Hoi Yan, Audrey. 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 Interim Financial Statements have not been audited by the Company's auditor, but have been reviewed by the Audit Committee.

By order of the Board
WORLDGATE GLOBAL LOGISTICS LTD
Lai Kwok Hei
Chairman

Hong Kong, 14 August 2020