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WORLDGATE GLOBAL LOGISTICS LTD

盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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*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 RM54.9 million for the nine months ended 30 September 2020, increased by approximately 17.4% as compared to that of the same period in 2019.
- The gross profit amounted to approximately RM8.5 million for the nine months ended 30 September 2020, increased by approximately 10.8% as compared to that of the same period in 2019.
- The Group recorded a net loss of approximately RM3.9 million for the nine months ended 30 September 2020.
- The Board does not recommend the payment of interim dividend for the nine months ended 30 September 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 nine months ended 30 September 2020 (the “**Third 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 and nine months ended 30 September 2020

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|---|-------|------------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| | | 2020 (Unaudited) RM'000 | 2019 (Unaudited) RM'000 | 2020 (Unaudited) RM'000 | 2019 (Unaudited) RM'000 |
| Revenue | 4 | 21,003 | 14,956 | 54,917 | 46,794 |
| Cost of services | | <u>(17,942)</u> | <u>(11,923)</u> | <u>(46,453)</u> | <u>(39,155)</u> |
| Gross profit | | 3,061 | 3,033 | 8,464 | 7,639 |
| Other revenue | | 132 | — | 817 | 268 |
| Administrative expenses | | (4,113) | (2,615) | (12,119) | (10,715) |
| Finance costs | | (235) | (211) | (708) | (701) |
| Share of losses of an associate | | <u>(147)</u> | <u>—</u> | <u>(147)</u> | <u>—</u> |
| Profit/(Loss) before income tax expense | 5 | (1,302) | 207 | (3,693) | (3,509) |
| Income tax expense | 7 | <u>(15)</u> | <u>(46)</u> | <u>(160)</u> | <u>(289)</u> |
| Profit/(Loss) for the period attributable to owners of the Company | | (1,317) | 161 | (3,853) | (3,798) |
| Other comprehensive profit/(loss): <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| — Exchange differences on translation foreign operations | | <u>100</u> | <u>(24)</u> | <u>676</u> | <u>(24)</u> |
| Total comprehensive profit/(loss) for the period attributable to owners of the Company | | <u>(1,217)</u> | <u>137</u> | <u>(3,177)</u> | <u>(3,822)</u> |
| Earnings/(Loss) per share | | | | | |
| Basic and diluted earnings/(loss) per share | 8 | <u>(0.15) sen</u> | <u>0.01 sen</u> | <u>(0.47) sen</u> | <u>(0.50) sen</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

| | Share Capital <i>RM'000</i> | Share premium <i>RM'000</i> | Merger reserve <i>RM'000</i> | Exchange reserve <i>RM'000</i> | (Accumulated losses)/ retained earnings <i>RM'000</i> | Total <i>RM'000</i> |
|--|-----------------------------------|-----------------------------------|------------------------------------|--------------------------------------|---|------------------------|
| Balance at 1 January 2019 | 4,154 | 29,425 | 16,972 | (222) | (4,731) | 45,598 |
| Adjustments on initial application of HKFRS 16 — leases | — | — | — | — | (22) | (22) |
| Loss for the period | — | — | — | — | (3,798) | (3,798) |
| Other comprehensive loss | — | — | — | (24) | — | (24) |
| Total comprehensive loss | — | — | — | (24) | (3,798) | (3,822) |
| Balance at 30 September 2019 | <u>4,154</u> | <u>29,425</u> | <u>16,972</u> | <u>(246)</u> | <u>(8,551)</u> | <u>41,754</u> |
| Balance at 1 January 2020 | 4,154 | 29,425 | 16,972 | (348) | (9,261) | 40,942 |
| Issue of shares | 863 | 5,393 | — | — | — | 6,256 |
| Loss for the period | — | — | — | — | (3,853) | (3,853) |
| Other comprehensive loss | — | — | — | 676 | — | 676 |
| Total comprehensive loss | — | — | — | 676 | (3,853) | (3,177) |
| Change in equity for the period | <u>863</u> | <u>5,393</u> | <u>—</u> | <u>676</u> | <u>(3,853)</u> | <u>3,226</u> |
| Balance at 30 September 2020 | <u>5,017</u> | <u>34,818</u> | <u>16,972</u> | <u>328</u> | <u>(13,114)</u> | <u>44,021</u> |

NOTES TO THE FINANCIAL STATEMENTS (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 in note (i) and note (ii) below.

(a) Adoption of new or revised HKFRSs

In the current period, the Group has applied all of the amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 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.

(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 | | Nine months ended | |
|---|---|-------------------------------|---|-------------------------------|
| | 30 September 2020 (Unaudited) RM'000 | 2019 (Unaudited) RM'000 | 30 September 2020 (Unaudited) RM'000 | 2019 (Unaudited) RM'000 |
| Freight forwarding and related services | 21,003 | 14,956 | 54,917 | 42,699 |
| Trading of used mobile phones | — | — | — | 4,095 |
| | <u>21,003</u> | <u>14,956</u> | <u>54,917</u> | <u>46,794</u> |

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.

For the nine months ended 30 September:

| | Freight forwarding and related services | | Trading of mobile phones | | Total | |
|---|--|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (unaudited) RM'000 | (unaudited) RM'000 | (unaudited) RM'000 | (unaudited) RM'000 | (unaudited) RM'000 | (unaudited) RM'000 |
| Revenue from external customer | <u>54,917</u> | <u>42,699</u> | <u>—</u> | <u>4,095</u> | <u>54,917</u> | <u>46,794</u> |
| Reportable segment profit | <u>1,954</u> | <u>2,012</u> | <u>—</u> | <u>131</u> | <u>1,954</u> | <u>2,143</u> |
| Interest income | 212 | 268 | — | — | 212 | 268 |
| Finance costs | (708) | (701) | — | — | (708) | (701) |
| Depreciation of property, plant and equipment and right-of-use assets | | | | | | |
| — Allocated | (3,390) | (2,600) | — | — | (3,390) | (2,600) |
| Unallocated expense | | | | | <u>(1,614)</u> | <u>(2,619)</u> |
| | | | | | <u>(3,546)</u> | <u>(3,509)</u> |
| Taxation | <u>(160)</u> | <u>(289)</u> | <u>—</u> | <u>—</u> | <u>(160)</u> | <u>(289)</u> |

(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 September | | Nine months ended 30 September | |
|---|------------------------------------|-----------------------|-----------------------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | (Unaudited) RM'000 | (Unaudited) RM'000 | (Unaudited) RM'000 | (Unaudited) RM'000 |
| Malaysia (place of domicile) | 13,372 | 14,956 | 36,536 | 42,699 |
| The People's Republic of China ("PRC") including Hong Kong | <u>7,631</u> | <u>—</u> | <u>18,381</u> | <u>4,095</u> |
| | <u>21,003</u> | <u>14,956</u> | <u>54,917</u> | <u>46,794</u> |

4. REVENUE

| | Three months ended | | Nine months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Air freight forwarding and related services | 5,718 | 4,578 | 14,566 | 14,141 |
| Sea freight forwarding and related services | 7,288 | 8,894 | 20,813 | 26,099 |
| Trucking and warehouse and related services | 7,997 | 1,484 | 19,538 | 2,459 |
| Goods under trading of used mobile phone segment being transferred at a point of time | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,095</u> |
| | <u>21,003</u> | <u>14,956</u> | <u>54,917</u> | <u>46,794</u> |

5. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

| | Three months ended | | Nine months ended | |
|---|--------------------|------------------|-------------------|------------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Loss before income tax expense is arrived at after charging: | | | | |
| Depreciation of property, plant and equipment: | | | | |
| — owned | 677 | 325 | 2,180 | 1,417 |
| — held under finance leases | — | 349 | — | 580 |
| — right-of-use assets | 403 | 371 | 1,210 | 808 |
| Employee costs (including director's remuneration) | 3,261 | 3,732 | 9,403 | 11,385 |
| Finance costs | | | | |
| — bank overdrafts | 26 | 18 | 58 | 85 |
| — bank borrowings | 144 | 159 | 452 | 500 |
| — finance lease | — | — | — | 44 |
| — lease liabilities | 65 | 34 | 198 | 72 |
| | <u>65</u> | <u>34</u> | <u>198</u> | <u>72</u> |

6. DIVIDENDS

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

7. INCOME TAX EXPENSE

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

| | Three months ended | | Nine months ended | |
|-----------------------------------|--------------------|-------------|-------------------|-------------|
| | 30 September | | 30 September | |
| | 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 | — | 46 | 120 | 289 |
| Hong Kong profit tax | | | | |
| — charge for the period | 15 | — | 40 | — |
| Deferred tax | | | | |
| — charge for the year | — | — | — | — |
| Income tax expense | <u>15</u> | <u>46</u> | <u>160</u> | <u>289</u> |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE OF CONSIDERATION SHARES

On 24 August 2020, an aggregate of 160,000,000 ordinary shares have been allotted and issued by the Company at the issue price of HK\$0.0725 each, in relation to the completion of the acquisition of interest in Grand Moore Capital Limited.

Please refer to the announcement of the Company dated 24 February 2020, 22 May 2020 and 24 August 2020 for details.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 23 October 2020, an aggregate of 40,000,000 Subscription Shares have been allotted and issued by the Company to the Subscriber at the Subscription Price of HK\$0.03 per Subscription Share. The gross proceeds raised from the Subscription are approximately HK\$1.2 million and the net proceeds, after deduction of all relevant expenses incurred in relation to the Subscription, are approximately HK\$1.1 million, which are intended to be used for general working capital of the Group.

Please refer to the announcement of the Company dated 12 October 2020 and 23 October 2020 for details.

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 nine months ended 30 September 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 related services.

1. Air Freight Forwarding and Related Services

The revenue from the air freight services accounted for approximately RM14.6 million and RM14.1 million for the nine months ended 30 September 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 September 2020 and 2019 is set out in the table as below:

| | For the Nine months ended 30 September | |
|-----------------------------|---|----------------|
| | 2020 | 2019 |
| | <i>'000 kg</i> | <i>'000 kg</i> |
| Air freight shipment volume | | |
| (a) Export | 3,945 | 3,118 |
| (b) Import | <u>1,571</u> | <u>2,197</u> |

2. Sea Freight Forwarding and Related Services

The revenue from the sea freight services accounted for approximately RM20.8 million and RM26.1 million for the nine months ended 30 September 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 September 2020 and 2019 is set out in the table as below:

| | For the nine months ended 30 September | |
|-----------------------------|---|--------------|
| | 2020 | 2019 |
| | <i>TEU</i> | <i>TEU</i> |
| Sea freight shipment volume | | |
| (a) Export | 6,633 | 7,292 |
| (b) Import | <u>5,988</u> | <u>7,924</u> |

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 RM19.5 million and RM1.8 million for the nine months ended 30 September 2020 and 2019, respectively. Revenue from such services mainly consists of delivery fee for trucking services. Such revenue is mainly driven by the volume of goods delivered, and the numbers of trips and types of customers served, among other factors.

(ii) *Warehousing and Related Services*

The Group's warehousing business mainly serves a supporting role for its freight forwarding services. The Group's warehousing services provided in Port Klang mainly consisted of general warehousing services. The warehousing services provided in Kuala Lumpur and Penang airports mainly served as temporary storages of goods for the Group's international air freight business. Therefore, revenue from the Group's warehouse business only accounted for an insignificant portion of less than 1% of the Group's total revenue for the nine months ended 30 September 2020 (2019: 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 nine months ended 30 September 2020. During the nine months ended 30 September 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 nine 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 third quarter 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.

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 RM54.9 million and RM46.8 million for the nine months ended 30 September 2020 and 2019, respectively. Majority of the Group's income was attributable to freight charges for the nine months ended 30 September 2020 and 2019. For the nine months ended 30 September 2020, approximately 26.6% and 37.9% of the Group's revenue was attributable to air freight services and sea freight services, respectively. For the nine months ended 30 September 2019, approximately 30.2% and 55.8% of the Group's turnover was attributable to air freight service and sea freight service, respectively.

Revenue for the nine months ended 30 September 2020 increased by approximately 10.8% or approximately RM8.1 million as compared to that of the same period in 2019. The increase was mainly due to increased of trucking and warehouse and related services charges by approximately RM17.1 million. On the other hand, trading of used mobile phones contributed of approximately RM4.1 million to the Group for the nine months ended 30 September 2019.

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 nine months ended 30 September 2020 increased by approximately 18.6% or RM7.3 million as compared to the same period in 2019.

Gross Profit and Gross Profit Margin

There was a slightly increased of approximately 10.8% from RM7.6 million for the nine months ended 30 September 2019 to RM8.5 million for the nine months ended 30 September 2020. It was mainly due to the revenue generated from trucking and warehouse and related services for the nine months ended 30 September 2020 increased 687%.

Administrative Expenses

The administrative expenses were approximately RM12.1 million for the nine months ended 30 September 2020 (2019: RM10.7 million). The administrative expenses mainly consist staff cost, operating leases and depreciation of property, plant and equipment.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings and finance lease. For the nine months ended 30 September 2020 and 2019, financial cost amounted to approximately RM708,000 and RM701,000, respectively.

Loss for the Period and Loss Per Share

The Group recorded a loss of approximately RM3.9 million for the nine months ended 30 September 2020 (2019: RM3.8 million). The Group's loss per share for the nine months ended 30 September 2020 was RM0.47 sen (2019: RM0.50 sen).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30 September 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 30 September 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 September 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") | Beneficial owner | 232,000,000 (L) | 24.17% |
| Mr. Lau Chi Yuen, Joseph ("Mr. Lau") | Interest in controlled corporation ⁽²⁾ | 232,000,000 (L) | 24.17% |
| Crown World Investments Limited ("Crown World") | Beneficial owner | 160,000,000 (L) | 16.67% |
| Zhong Xian Wen ("Mr. Zhong") | Interest in controlled corporation ⁽³⁾ | 160,000,000 (L) | 16.67% |

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. Zhong has 100% of direct interest in Crown World. Therefore, Mr. Zhong is deemed to be interest in 160,000,000 Shares held by Crown World.

Save as disclosed above, as at 30 September 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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 Third 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, 11 November 2020

As at the date of this announcement, the executive Directors are Mr. LAI Kwok Hei and Ms. TSUI Ka Mei; the independent non-executive Directors are Mr. WONG Siu Keung Joe, Ms. WONG Hoi Yan Audrey and Mr. MA Kin Hung.

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>.