World-link LOGISTICS

WORLD-LINK LOGISTICS (ASIA) HOLDING LIMITED
環宇物流（亞洲）控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 6083

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yeung Kwong Fat *(Chairman and CEO)*
Mr. Lee Kam Hung
Mr. Luk Yau Chi, Desmond

Independent Non-executive Directors

Mr. How Sze Ming
Mr. Mak Tung Sang
Mr. Jung Chi Pan, Peter

Company Secretary

Ms. Leung Ho Yee, CPA, FCIS FCS

Board Committees

Audit Committee

Mr. How Sze Ming *(Chairman)*
Mr. Mak Tung Sang
Mr. Jung Chi Pan, Peter

Nomination Committee

Mr. Yeung Kwong Fat *(Chairman)*
Mr. Mak Tung Sang
Mr. Jung Chi Pan, Peter

Remuneration Committee

Mr. Mak Tung Sang *(Chairman)*
Mr. Luk Yau Chi, Desmond
Mr. Jung Chi Pan, Peter

Authorised Representatives

Mr. Yeung Kwong Fat
Ms. Leung Ho Yee

Company's Website

http://www.world-linkasia.com

Auditor

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Registered Office

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Legal Adviser

TC & Co.
Units 2201-2203, 22/F.,
Tai Tung Building,
8 Fleming Road,
Wanchai,
Hong Kong

Headquarters and Principal Place of Business In Hong Kong

3/F, Allied Cargo Centre
150-164 Texaco Road
Tsuen Wan
Hong Kong

CHAIRMAN'S STATEMENT

Mr. Yeung Kwong Fat
(Chairman and Chief Executive Officer)

Dear Shareholders,

With great pleasure, I hereby present on behalf of the Board of Directors (the "Board") the annual report of the Group for the year ended 31 December 2018 ("2018").

2018 is a difficult year for the Group. The economic downturn in Hong Kong in 2018 has adversely affected our business. According to the statistics published by the "tradingeconomics.com" (an online platform which provides historical economic data, forecasts, news etc), the GDP growth rate of Hong Kong in the third quarter of 2018 is only 2.9% which is the lowest growth rate since the third quarter of 2016. Both private consumption and government spending have been reduced. The Hong Kong SAR Government has revised its forecast of the GDP growth rate for 2018 to 3.2% (from 3.4%) due to its concern over the adverse impact of the trade war between China and the U.S.A. The GDP growth rate for 2018 is below the average of 5.24% for the period from 1974 to 2018. The adverse financial performance of the Group in the fourth quarter is in line with the economic downturn of Hong Kong since the third quarter of 2018.

According to the statistics published by the "tradingeconomics.com", the unemployment rate of Hong Kong remains at 2.8% in the second half year of 2018 and Hong Kong has maintained a low jobless rate since January 1998. The under-employment rate also remains at a low level of 1.2% in the fourth quarter of 2018. The seasonal adjusted unemployment rate in the third quarter of 2018 is 2.8% which has significantly been decreased from 3.1% in the third quarter of 2017. Among different industries, the unemployment rate of the transportation and storage industry is 2.0% in the third quarter of 2018 which is well below the average of 2.8% in Hong Kong. This indicates the difficulty in recruiting talents in the transportation and storage industry. Facing the low unemployment rate in Hong Kong in 2018, the Group has provided better staff benefits to attract staff and this led to higher staff cost in 2018.

Despite the economic downturn in Hong Kong in 2018, the Group has performed well in attracting new customers in 2018. The revenue from the new business grew substantially by 90.7% in 2018 when compare to that of 2017 though the revenue from existing customers dropped by 14.1%. The new business helps diversify the Group's customer profile and lays a good foundation for the Group to grow further.

One of the Group's major strategies in 2018 is to expand the cold chain business segment. The cold chain business revenue recorded a significant growth rate in 2018 which is 149.7% when compare with that of 2017. Notwithstanding the underperformance of the overall financial results of the Group during the fourth quarter of 2018, the Directors of the Company expect that the cold chain business segment of the Group will remain strong and continue to grow.

Both the logistics solutions business and customisation services recorded decline in revenue of 1.5% and 14.6% respectively in 2018 when compare with those in 2017. This is due to the economic downturn and weakening of the retail industry especially the supermarkets sector.

Outlook

The management will continue the strategies of diversifying the customer profile of the Group. In 2019, the Group will further expand into (i) the food sector under the fast moving consumer goods ("FMCG") segment which includes pet health nutrition and pharmaceuticals and nutrition products, and (ii) retailing segment in cold chain business. The Group recorded a significant growth in the cold chain business segment in 2018 and expects the cold chain business segment will remain strong growth components of the Group.

A hundred-storey building first needs a strong foundation. The operating cost of 2018 has increased due to the Group's investments in staff and the IT systems, upgrading of the warehousing facilities and the renovation of the repacking centre. The management believes that these investments have already laid a strong foundation for the Group and will enable the Group to go further in 2019.

Yeung Kwong Fat
Chairman and Chief Executive Officer

Hong Kong, 25 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The low growth rate of retail sales of commodities in the supermarket segment has adversely affected our business in the personal care sector of the fast moving consumer goods ("FMCG") segment which is our focus. According to the Report entitled "Report on Monthly Survey of Retail Sales" for December 2018 released by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region, the value of total retail sales increased by 8.8% in value over that of the same period in 2017. To be more precise and related to the Group's customer sectors, the provisional estimate of the value of sales of FMCG in supermarkets for 2018 increased by 1.2% only when compared with that for 2017 (The value of sales of jewellery, watches and clocks, and valuable gifts increased by 13.7% in 2018). The flat growth rate reflects the difficult environment for the personal care sector of the FMCG segment of the Group and explains the reason why the revenue of the personal care sector of the FMCG segment of the Group decreased in 2018.

Milestone in 2018

Though the organic growth in the personal care sector of the FMCG segment has decreased, the Group has achieved several milestones in 2018.

Firstly, the management believes that the existing customer structure has become healthier and more diversified. In the past, the management has focused on developing the personal care sector of the FMCG segment. In 2018, the Group has focused more on developing new business which is the cold chain business segment. The Group has started to provide total supply cold chain solution to the food sector of the FMCG segment in the fourth quarter in 2017. In 2018, the Group has extended the cold chain business segment to the retailing segment as well. The Group believes that the customer structure is not balanced in the past, which would hinder the development of the Group in the future. As a result, the Group adopted the strategies of expanding (i) the FMCG segment from the personal care sector to the food sector; and (ii) cold chain business in the retailing segment. The Group has accumulated much experience in food delivery and total supply chain solution to multinational customers. Up to year end of 2018, we have expanded (i) the food sector under the FMCG segment which includes pet health nutrition and pharmaceuticals and nutrition products, and (ii) the retailing segment in the cold chain business. The customer concentration has therefore been reduced and this will lead to healthy growth of the Company in the future.

Secondly, the revenue from the food sector under the FMCG segment increased significantly in 2018 by 95.4% when compared to that of 2017. The sharp increment was contributed by a multinational family-owned manufacturer of confectionery and pet care brands which has its headquarters in Mclean, Virginia, the United States. The Group commenced business relationship with this customer since October 2017.

Thirdly, our distribution centre has been endorsed as one of a few qualified distribution centres by a global pharmaceutical company which is listed on the New York Stock Exchange ("the New Pharmaceutical Customer"). The stringent quality requirements set by this customer have further strengthened World-Link's capability to grow in the future. The success relied on our continuous investment in staffing and capital expenditure in upgrading our facilities. This is a key milestone as our business is not only focusing personal care sector of the FMCG segment, we have also diversified into the pharmaceuticals and nutrition products sector of the FMCG segment as well. This is the second endorsement as a qualified distribution centre with global pharmaceutical companies within three years.

Fourthly, the cold chain business segment of the Group has recorded continuous growth. During the fourth quarter of 2018, the Group has further strengthened the business relationship with a customer, a key restaurant player with over 100 restaurants in Hong Kong, which the Group has started providing logistics and cold chain solution services since the first half of 2018 ("New Cold Chain Customer"). Since the fourth quarter of 2018, the Group has expanded the coverage of the total cold chain solution services provided to this customer to all restaurants under one of its major restaurant chain brands. Further, this customer also engaged the Group to commence provision of cold chain solution services to an additional major restaurant chain operated by the customer. This customer has contributed to the revenue in the cold chain business segment of the Group in 2018, which recorded significant growth in revenue in 2018 as compared to that in 2017.

Furthermore, the Group provides total supply chain solution business relationship with a global leader in pet health nutrition. This is a milestone of the Group to expand its clientele to include a multinational pet food leader which is headquartered in Mclean, Virginia, the United States. The Group has started providing services to this customer in February 2019.

A hundred-story building first needs a strong foundation

The profit for the year ended 31 December 2018 decreased by 53.0% when compared with that for the year ended 31 December 2017. The main reason for the decrease is the increase of operating cost which includes staff cost, IT expenses and depreciation resulting from upgrading of our warehouse facilities. These expenses can also be considered as long term investments.

The Group has provided better staff benefits which include the adoption of a share award scheme in 2018. The staff cost increased by 13.4% for the year ended 31 December 2018 when compare with that for the year ended 31 December 2017.

The Group has further been equipped with a fleet of cold chain truck for the purpose of serving the New Cold Chain Customer, which resulted in the increase of subcontracting expenses. The increase in the amount of provision of depreciation is due to the increase in the renovation cost on the repacking centre in order to comply with the requirements of qualifying as a qualified distribution centre of the New Pharmaceutical Customer. The increase in the amount of provision of depreciation resulting from the upgrade of warehousing facilities and other fixed assets in 2017 also increased the operating cost for the year ended 31 December 2018. The management believes that World-Link is unable to grow with a solid base without further investment in staff, IT systems, renovation of the repacking centre and upgrading of the warehousing facilities.

In 2019, the Group will further expand into (i) the food sector under the FMCG segment which include pet health nutrition and pharmaceuticals and nutrition products, and (ii) the retailing segment in the cold chain business. The management is confident that the cold chain business segment will maintain strong growth components of the Group. The Group will continue to improve the quality of our service in order to expand the Group's business and customer base.

Management Discussion and Analysis

Financial Review

Revenue

The revenue of the Group decreased by approximately 5.1% from approximately HK$163.6 million for the year ended 31 December 2017 to approximately HK$155.2 million for the year ended 31 December 2018. The decrease in revenue was mainly attributable to the lower demand of logistics services by existing personal care sector of the FMCG customers.

The Group's business segments in the food sector of the FMCG segment has performed well, in spite of external challenges. In 2018, we attained a 95.4% increase in revenue in the food sector of the FMCG segment as a result of attraction of new customers in 2017 and 2018.

	2018 HK$'000	2017 HK$'000	Variance HK$'000	Variance %
FMCG–Personal Care	87,454	99,715	(12,261)	(12%)
FMCG–Food	32,154	16,457	15,697	95%
Electronic, health and beauty accessories and others	24,443	29,709	(5,266)	(18%)
Retailing	11,159	17,729	(6,570)	(37%)
Total	155,210	163,610		

Other income

Other income comprised bank interest income and other miscellaneous income. Other income includes HK$1,181,000 and HK$504,000 for the year ended 31 December 2017 and the year ended 31 December 2018 respectively. The decrement is due to no gain on disposal of property, plant and equipment in 2018.

Employee benefits expenses

Employee benefits expenses primarily consisted of wages and salaries, award shares, medical benefits, and other allowances and benefits. Our employee benefits expenses amounted to approximately HK$52.7 million for the year ended 31 December 2018 (2017: HK$46.4 million). The increment is mainly due to the improvement of staff benefits for staff retention by the adoption of a share award scheme. Our Group had a total of 279 and 253 full-time employees as at 31 December 2017 and 31 December 2018 respectively. The decrease in the number of staff is due to natural wastage and the streamlining of the Group's organisation structure.

Other expenses

Other expenses mainly include other operating cost for the warehousing and value-added services, electricity, repair and maintenance, consumables, entertainment, rates, office and store supplies. For the year ended 31 December 2017 and 2018, other expenses amounted to approximately HK$16.0 million and HK$13.4 million respectively. The decrement is due to the non-recurring expenses in relation to the transfer of listing application by the Company to the Stock Exchange on 17 March 2017 for the proposed transfer of listing to the Main Board of the Stock Exchange in 2017.

Taxation

Income tax expense represents the provision of Hong Kong profits tax calculated at 16.5% of the estimated assessable profits during the year ended 31 December 2018.

Profit and total comprehensive income for the year ended 31 December 2018

The Group recorded a net profit after taxation of approximately HK$11.1 million for the year ended 31 December 2018, representing a decrement of approximately 53.0% compared to the year ended 31 December 2017. The substantial decline of net profit is mainly due to (i) the decline in financial results of the fourth quarter in 2018 as compared to that for the corresponding period in 2017; and (ii) the increase in operating costs which include staff expenses.

Liquidity And Financial Resources

The Group's operation and investments are financed principally by cash generated from its business operations. As at 31 December 2018, the Group had net current assets of approximately HK$78.8 million (2017: approximately HK$93.8 million), cash and cash equivalents of approximately HK$32.9 million as at 31 December 2018 (2017: approximately HK$18.2 million) and short-term bank deposit with original maturity over three months of HK$13.0 million (2017: 37.0 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

Gearing Ratio

As at 31 December 2018, the gearing ratio (calculated on the basis of total bank borrowings divided by total assets at the end of the year) of the Group was nil (2017: Nil).

Foreign Currency Risk

The Group's business activities are in Hong Kong and are denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Commitment

As at 31 December 2018, the Group did not have material capital commitments (2017: Nil).

Dividend

The Board is pleased to announce that at the Board meeting held on 25 March 2019, resolutions have been passed to recommend the payment of a final dividend (the "Final Dividend") of HK1.0 cent (2017: HK1.0 cent) per share amounting to HK$4,840,000 in aggregate.

The Final Dividend has been recommended by the Board and is subject to approval by the shareholders of the Company in the forthcoming Annual General Meeting. The Final Dividend (if approved by the shareholders in the forthcoming Annual General Meeting) will be paid in cash on or around Friday, 19 July 2019 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 3 July 2019, being the record date for determination of entitlements to the Final Dividend.

To determine the persons who are entitled to the proposed Final Dividend of HK1.0 cent per share for the year ended 31 December 2018, the register of members of the Company will be closed from Friday, 28 June 2019 to Wednesday, 3 July 2019, both days inclusive, during which period no transfer of shares will be registered. In order for a shareholder to qualify for the Final Dividend, all transfer forms accompanied by relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 27 June 2019.

Capital Structure

The capital structure of the Group consists of equity attributable to the owners of the Company which comprise of issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt and redemption of existing debt.

Charge On The Group's Assets And Contingent Liabilities

As at 31 December 2018, the Group has no bank borrowings (2017: Nil). The subsidiaries in the Group have banking facility of HK$45.0 million which are guaranteed by the Company (2017: HK$45.0 million). The Group has no material contingent liabilities as at 31 December 2018.

Material Acquisitions and Disposal

During the year ended 31 December 2018, the Group had no material acquisitions and disposals of subsidiaries.

Employees and Remuneration Policies

As at 31 December 2018, the Group employed 253 (31 December 2017: 279) full time employees. We determine the employee's remuneration based on factors such as qualification, duty, contributions and years of experience.

Continuing Connected Transactions

Apart from the related party transactions as disclosed in note 28 to the consolidated financial statement for the year ended 31 December 2018, the Group did not enter into continuing connected transactions which are subject to the reporting, annual reviews, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Events After The Reporting Period

On 21 January 2019, the Company has conditionally award an aggregate of 4,000,000 award shares (the "Award Shares") to 13 Selected Individuals at the Subscription Price of 50 HK cents per Award Share, of which (i) up to 3,408,000 Connected Award Shares were awarded to six Connected Selected Individuals who are the Executive Directors and the Independent Non-Executive Directors ("INEDs") of the Company by way of issue and allotment of new Shares and (ii) up to 592,000 Independent Award Shares were awarded to seven Independent Selected Individuals who are the employees of the Group by way of issue and allotment of new Shares.

Please refer to the next day disclosure return published by the Company on 21 January 2019 for details of the issue of new Shares.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yeung Kwong Fat (楊廣發), aged 66, was appointed as the Chairman of the Board, an Executive Director and the Chief Executive Officer of our Group on 4 September 2015. Mr. Yeung is also the chairman of the Nomination Committee. He is one of the founders of our Group and has been a director of World-Link Roadway System Company Limited since January 1994 and a director of World-Link Packing House Company Limited since July 2009. Mr. Yeung completed his secondary education in Hong Kong in July 1970. Since the establishment of the business of our Group, Mr. Yeung has accumulated over 25 years of experience in the logistics industry from managing the warehouse of our Group, negotiating business deals with clients and pitching the business of our Group to prospective customers. On top of the aforesaid, Mr. Yeung is currently also responsible for the overall corporate strategic planning, business development and major decision-making of our Group.

Mr. Lee Kam Hung (李鑑雄), aged 65, was appointed as an Executive Director of our Group on 4 September 2015. He is one of the founders of our Group and has been a director of World-Link Roadway System Company Limited since October 1990 and a director of World-Link Packing House Company Limited since March 1996. Mr. Lee completed his secondary education in Hong Kong in August 1971. Since the establishment of the business of our Group, Mr. Lee has accumulated over 25 years of experience in the logistics industry from managing the vehicle fleet and the transportation service of our Group. Since 2000, Mr. Lee has been the operation director of our Group, who is currently, on top of aforesaid, responsible for monitoring the business operations of our Group.

Mr. Luk Yau Chi, Desmond (陸有志), aged 54, was appointed as an Executive Director on 4 September 2015. Mr. Luk is also one of the members of the Remuneration Committee. Mr. Luk has been a director of World-Link Roadway System Company Limited and World-Link Packing House Company Limited since July 2009. Since 2009, Mr. Luk has been the commercial director of our Group, who is responsible for overseeing the overall business development of our Group and the support service division of our Group.

Mr. Luk obtained a Bachelor's Degree of Science in Business Studies from the University of Wales in the United Kingdom in July 1989, a Master's Degree in Business Administration from the University of Surrey in the United Kingdom in November 2001 and a Continuing Education Diploma in Professional Management for China Business from the City University of Hong Kong in May 2003.

Mr. Luk has over 15 years of experience in the food and beverage, catering and logistics industries. From September 1997 to May 2004, Mr. Luk worked as a sales manager at Unilever Bestfoods Hong Kong Limited (formerly known as CPC/AJI (Hong Kong) Limited), which is a supplier of food products, and he was responsible for developing sales strategies and was in charge of (i) the sales team in Hong Kong and Macau; and (ii) the export division of the company. From June 2004 to February 2007, Mr. Luk worked as a senior manager and subsequently the associate director in HAVI Food Services (Hong Kong) Limited (currently known as HAVI Logistics Services (Hong Kong) Limited), a company principally engaged in providing total supply chain solutions to customers (e.g. transporting food and non-food logistics good, providing storage and handling services, offering supply chain quality management and demand and supply planning services), where he was responsible for handling customer relationship and business development of the company and setting up operations process flows for new customers. From December 2013 to November 2014, Mr. Luk was the managing director in Rentokil Initial Hong Kong and Taiwan, a company principally engaged in pest control and provision of hygiene services to businesses where he was responsible for the overall business of the company.

Independent Non-executive Directors

Mr. How Sze Ming (侯思明), aged 42, was appointed as an Independent Non-executive Director on 16 December 2015. He is the chairman of the Audit Committee.

Mr. How graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree (first class honour, majoring in professional accountancy) in December 1999. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

Mr. How has over 15 years of experience in investment banking and business assurance industries. Mr. How is currently the head of corporate finance department of Southwest Securities (HK) Capital Limited, a company principally engaged in corporate advisory services, where he is responsible for giving corporate finance advice.

Mr. How has served as the Independent Non-executive Director of (i) QPL International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 243), from September 2013 to September 2016; (ii) Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited), a company listed on the GEM (Stock Code: 8093), from January 2015 to March 2017 and; (iii) Forgame Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 484) since January 2016; (iv) Shanghai Zendai Property Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 755) since May 2017; (v) 1957 & Co. (Hospitality) Limited, a company listed on the GEM (Stock code: 8495) since November 2017; (vi) Watts International Maritime Engineering Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 2258) since November 2018.

Mr. Jung Chi Pan, Peter (鍾智斌), aged 51, was appointed as an Independent Non-executive Director on 1 January 2017. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Jung obtained a Master of Business Administration degree (Executive MBA programme) from the Chinese University of Hong Kong in November 2015. In October 2016, he was elected a professional member of the Royal Institution of Chartered Surveyor.

Mr. Jung joined the Pico Group in 1988 and had substantial experience in the exhibition industry in Hong Kong, Asia and Europe. He was the General Manager (Event Promotion) from 1994 to 2002 and was responsible for projects for a group of clienteles which includes worldwide renowned brands. During the period from 2003 to 2005, he was appointed as the General Manager of Bizart Asia Limited, (a subsidiary of Pico Group). He is the Co-founder and the Chief Executive Officer of Milton Exhibits Group Limited, which specialises in event management, exhibition service, digital solution and general contracting work with 10 offices in Asia since 2006.

Mr. Mak Tung Sang (麥東生), aged 58, was appointed as an Independent Non-executive Director on 1 January 2017. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Mak is a solicitor and a partner of Messrs. Simon C. W. Yung & Co., Solicitors since 2004. He obtained a Bachelor of Laws degree from the University of Wolverhampton in 1998. In 2000, he obtained a Post-graduate Certificate in Laws from the University of Hong Kong.

Senior Management

Ms. Leung Ho Yee (梁可怡), aged 33, is the chief financial officer, the Company Secretary and the authorised representative of our Group. She joined our Group in August 2015. She was promoted from the position of financial controller to chief financial officer in November 2017. She is mainly responsible for financial reporting, financial planning, treasury, financial control and company secretarial matters. Ms. Leung obtained a Bachelor's Degree of Arts in Accountancy with honours and a Master Degree of Corporate Governance from the Hong Kong Polytechnic University in 2007 and 2015 respectively. Ms. Leung became a member of the Hong Kong Institute of Certified Public Accountants since 2011, an Associate of The Hong Kong Institute of Chartered Secretaries since 2015 and an Associate of The Institute of Chartered Secretaries and Administrators since 2015. She has become a Fellow of The Hong Kong Institute of Chartered Secretaries and a Fellow of The Institute of Chartered Secretaries and Administrators since 2018. Ms. Leung has not held any directorship in any public listed company in the past three years.

Prior to joining our Group, Ms. Leung joined Deloitte Touche Tohmatsu ("Deloitte") as an associate in the Audit Department in September 2007 and was promoted to the position of senior auditor in the same department in October 2009. She left the firm in 2011. Ms. Leung has extensive experience in providing services to listed companies whose shares are listed on the Main Board of the Stock Exchange and multinational corporations, including financial management, risk management, internal control and services in relation to initial public offerings and major acquisitions. She worked at Bossini Enterprises Limited, a subsidiary of Bossini International Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 592)) after she left Deloitte and before she joined our Group in 2015.

Directors and Senior Management

Mr. Chan Fu Yuen (陳富元), aged 39, is the commercial director of our Group since January 2016, now leading a team which processes daily deliveries and is responsible in ensuring customer satisfaction and quality service. He became the operations manager of our Group since July 2014. He joined our Group in November 2012 and has had over 10 years of experience in logistics and supply chains prior to joining our Group. Mr. Chan received a Bachelor's Degree of Science in Shipping Technology and Management and a Master's Degree in Industrial Logistics System, both from the Hong Kong Polytechnic University in 2001 and 2006 respectively.

Prior to joining our Group, Mr. Chan worked as the assistant supervisor at River Trade Terminal Co. Ltd. from August 2001 to February 2003. From May 2003 to March 2008, Mr. Chan worked as an assistant manager at T.S. Lines Limited. From July 2008 to January 2009, he worked as a supply chain analyst at Woolworths Group Asia Limited. From March 2009 to November 2012, he worked as a supply chain manager at Transnational Logistics Solutions (HK) Limited.

Mr. Wong Yiu Kwong (黃耀光), aged 65, is the customisation manager of our Group. Mr. Wong joined our Group in October 2011, and is mainly responsible for managing the overall operation of the customisation department of our Group.

Prior to joining our Group, Mr. Wong worked as a unit manager in the consumer sales and channel department at Pacific Century Cyber Works Limited (currently known as PCCW Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 8)) from October 1973 to 5 December 2001. From August 2004 to October 2011, he worked as the team leader in the teleservices unit of HKT Services Limited, a subsidiary of HKT Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 6823)).

Ms. Ng Fung Sze Frances (吳鳳斯), aged 49, is the commercial manager of our Group. She joined our Group in September 1991, and was appointed as our commercial manager in July 2011. She leads the operations team in daily distributions and prepares analytical reports of operations for our Group. Ms. Ng obtained a Bachelor's Degree of Business in Transport Management from the Royal Melbourne Institute of Technology in August 2002.

Save as disclosed above, during the three years preceding the date of this report, none of our senior management held any directorships in any public companies whose securities are listed on any securities market in Hong Kong or overseas. None of our senior management has any relationship with other Directors, senior management and Controlling Shareholders of our Company.

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner. In accordance with the requirements of the Listing Rules, the Company has established an Audit Committee, a Nomination Committee and a Remuneration Committee with specific written terms of reference.

Except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices have complied with the CG Code. CG Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yeung Kwong Fat ("Mr. Yeung") is the Chairman and the Chief Executive Officer of our Company. In view of Mr. Yeung being one of the co-founders of our Group and has been operating and managing World-Link Roadway System Company Limited and World-Link Packing House Company Limited since 1994 and 2009 respectively, our Board believes that it is in the best interest of our Group to have Mr. Yeung taking up both roles for effective management and business development. Therefore our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with three of them being Independent Non-executive Directors.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions By Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2018.

Competing Interest

For the year ended 31 December 2018, the Directors were not aware of any business or interest of the Directors, the Controlling Shareholders, and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest.

Mr. Yeung Kwong Fat, Mr. Lee Kam Hung, Mr. Luk Yau Chi, Desmond, Orange Blossom International Limited, Best Matrix Global Limited and Leader Speed Limited (collectively the "Covenantors") have entered into a Deed of Non-competition (the "Deed") on 25 April 2017. The Company had been listed on the Main Board on 15 November 2017 and the Deed had taken into effect on the same day. Details of the Deed have been disclosed in the Transfer of Listing from the Growth Enterprise Market to the Main Board of the Stock Exchange of Hong Kong Limited announcement dated 7 November 2017 under the section headed "Competing Interests".

During the year ended 31 December 2018, the Independent Non-executive Directors have reviewed on behalf of the Company the compliance with the Deed and are satisfied that the Substantial Shareholders (as defined in the Listing Rules) and their associates have complied with the provisions of the Deed.

The Board of Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Yeung Kwong Fat *(Chairman and CEO)*
Mr. Lee Kam Hung
Mr. Luk Yau Chi, Desmond

Independent Non-executive Directors

Mr. How Sze Ming
Mr. Mak Tung Sang
Mr. Jung Chi Pan, Peter

Details of the Chairman and the other Directors of the Company are set out in the section "Directors and Senior Management" of this report.

In compliance with rule 3.10 and 3.10A of the Listing Rules, the Company has appointed three Independent Non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each Independent Non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the various guidelines set out in rule 3.13 of the Listing Rules.

With the various experience of both the Executive Directors and the Independent Non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

Functions of the Board

The principal functions of the Board include:

– reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

– approving major acquisitions or disposals, corporate or financial restructuring, issuance of the Company's shares ("Shares") and other equity or debt instruments, payment of dividends and other distribution to the Group's shareholders;

– assessing the risks facing by the Group and reviewing and implementing appropriate measures to manage such risks;

– selecting and evaluating the performance and compensation of key management executives;

– approving nominations to the Board;

– reviewing and endorsing the recommended framework of remuneration of the Board and key management executives by the Remuneration Committee; and

– assuming overall responsibility for corporate governance.

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 December 2018, the Executive Directors have provided, and will continue to provide, to all Independent Non-executive Directors updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the Group's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

Terms of Appointment and Re-Election of Directors

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 16 December 2018 subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

Under the code provision A.4.1 of the CG Code, the Independent Non-executive Directors should be appointed for a specific term subject to re-election. Each of the Independent Non-executive Directors has entered into an appointment letter with the Company for an initial term of one year subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Article 108 of the Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Continuous Professional Development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 December 2018, all the Directors have participated in continuous professional development and the relevant details are set out below:

Name of Directors	Attending seminar(s)/ Reading relevant materials in relation to the business or directors' duties Yes/No
Executive Directors	
Mr. Yeung Kwong Fat *(Chairman and CEO)*	Yes
Mr. Lee Kam Hung	Yes
Mr. Luk Yau Chi, Desmond	Yes
Independent Non-executive Directors	
Mr. How Sze Ming	Yes
Mr. Mak Tung Sang	Yes
Mr. Jung Chi Pan, Peter	Yes

Independent Non-executive Directors

The Company has appointed three Independent Non-executive Directors to comply with Rule 3.10A of the Listing Rules. Furthermore, among the three Independent Non-executive Directors, Mr. How Sze Ming has the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance to Rule 3.13 of the Listing Rules, the Company has received from each of its Independent Non-executive Directors the written confirmation of his independence. The Company, based on such confirmations, considers its Independent Non-Executive Directors to be independent.

Board Committees

During the year ended 31 December 2018, to assist the Board in its work, the Board is assisted by three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website http://www.world-linkasia.com and the Stock Exchange website (www.hkex.com.hk).

Audit Committee

Our Company has established an Audit Committee on 16 December 2015 in compliance with Rule 3.21 of the Listing Rules. As at 31 December 2018, the Audit Committee comprised three Independent Non-executive Directors, namely Mr. How Sze Ming, Mr. Jung Chi Pan, Peter and Mr. Mak Tung Sang. Mr. How Sze Ming is the chairman of the Audit Committee.

Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules have been adopted. It is the Board's responsibility to ensure that an effective internal control and risk management framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated to the Audit Committee the responsibility for the initial establishment and the maintenance of a framework of internal controls, risk management and ethical standards for the Group's management. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control and risk management systems of our Group. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2018.

Remuneration Committee

Our Company established a Remuneration Committee on 16 December 2015. As at 31 December 2018, the Remuneration Committee comprised Mr. Mak Tung Sang, Mr. Luk Yau Chi, Desmond and Mr. Jung Chi Pan, Peter, with Mr. Mak Tung Sang being the chairman. Written terms of reference in compliance with paragraph B.1.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules have been adopted. The primary duties of the Remuneration Committee are, among other things, to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Independent Non-executive Directors.

Board Committee (Continued)

Remuneration Policy

The remuneration policy of the Group to reward its employees and senior executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salaries, contribution to pension schemes and discretionary bonuses. The Remuneration Committee will review annually the remuneration of all Directors to ensure that the remuneration package is attractive enough to attract and retain a competent team of executive members.

The Directors receive remuneration in the form of salaries, allowances, discretionary bonuses, shares and contribution to pension scheme. The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group.

Nomination Committee

Our Company has established a Nomination Committee on 16 December 2015 with written terms of reference. As at 31 December 2018, the Nomination Committee comprised Mr. Yeung Kwong Fat, Mr. Mak Tung Sang and Mr. Jung Chi Pan, Peter, with Mr. Yeung Kwong Fat being the chairman. Written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code as set out in Appendix 14 to Listing Rules have been adopted. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors.

Board Diversity Policy

The Board has on 25 March 2019 adopted a Board Diversity Policy in accordance with Rule 13.92 of the Listing Rules, which recognises the benefits of a Board that possesses a balance of skills set, experience, expertise and diversity of perspectives appropriate for the strategies of the Company. The Company believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value.

Board appointment has been, and will continue to be, made based on merit and attributes that the selected candidate will bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Company and the benefits of various aspects of diversity, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how and other factors that the Board may consider relevant from time to time towards achieving a diversified Board.

Board Committee (Continued)

Board Diversity Policy (Continued)

Measurable Objectives

The Board has recently reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board. The following tables illustrate the diversity of the Board Members as of the date of this annual report:

	Age Group			
Name of Directors	Below 50	50-55	56-60	Above 60
Mr. Yeung Kwong Fat *(Chairman and CEO)*				✓
Mr. Lee Kam Hung				✓
Mr. Luk Yau Chi, Desmond		✓		
Mr. How Sze Ming	✓			
Mr. Mak Tung Sang			✓	
Mr. Jung Chi Pan, Peter		✓		

	Professional Experience				
Name of Directors	Logistics Industry	Management	Accounting and Finance	Law	Exhibition Industry
Mr. Yeung Kwong Fat *(Chairman and CEO)*	✓	✓			
Mr. Lee Kam Hung	✓	✓			
Mr. Luk Yau Chi, Desmond	✓	✓			
Mr. How Sze Ming			✓		
Mr. Jung Chi Pan, Peter					✓
Mr. Mak Tung Sang				✓	

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board will ensure that the appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

Implementation and Monitoring

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually. The Board will review and monitor the implementation of the Board Diversity Policy to ensure its continued effectiveness.

Board Committee (Continued)

Nomination Policy

The Board has on 25 March 2019 adopted a Nomination Policy in accordance with the CG Code, which sets out the procedure for the election, appointment and re-appointment of Directors (the "Nomination Policy"). The Nomination Policy specifies certain selection criteria and the Board succession planning consideration.

The Nomination Policy is reproduced as follows.

1. In carrying out its duties, the Nomination Committee shall give adequate consideration to the following principles:

   (a) in relation to Board composition - the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It should include a balanced composition of Executive and Independent Non-executive Directors so that there is a strong independent element on the Board and independent judgment can be effectively exercised. Independent Non-executive Directors should be of sufficient calibre and number for their views to carry weight; and

   (b) in relation to appointment, re-election and removal of Directors - there should be a formal, considered and transparent procedure for selection, appointment and reappointment of Directors, as well as plans in place for orderly succession for appointments (if considered necessary). It should ensure that changes to the Board composition can be managed without undue disruption. All Directors should be subject to re-election at regular intervals in accordance with the Articles of Association of the Company.

2. The criteria to be applied in considering whether a candidate is qualified shall be his/her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board (which includes but not limited to diversity in gender, age, experience, cultural and educational background, expertise, skills and know-how) as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

   (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

   (b) taking the lead where potential conflicts of interests arise as Independent Non-executive Directors;

   (c) serving on the Audit, Remuneration, Nomination and other governance committees, if invited;

   (d) giving the Board and any committees on which he/she serves the benefit of his/her skills, expertise, varied backgrounds and qualifications through attendance and participation;

Board Committee (Continued)

Nomination Policy (Continued)

2. (Continued)

   (e) monitoring or scrutinising the Company's performance in achieving agreed corporate goals and objectives;

   (f) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate; and

   (g) if the candidate is proposed to be appointed as an Independent Non-executive Director, his/her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

Director Nomination Procedure

Subject to the provisions of the Articles of Association of the Company and the Listing Rules, if the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association of the Company and applicable laws and regulations. The procedures for such proposal are stated on page 24 of this annual report.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Attendance Records of Meetings

The attendance of each Director at Board meetings, Audit Committee meetings, Nomination Committee meeting, Remuneration Committee meetings and general meetings held during the year is set out in the following table:

Name of Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	General meeting
Number of meetings held during the year	5	6	–	3	2
	Number of meetings attended/Number of meetings entitled to attend				
Executive Directors					
Mr. Yeung Kwong Fat	4/5	–	–	–	2/2
Mr. Lee Kam Hung	4/5	–	–	–	2/2
Mr. Luk Yau Chi, Desmond	5/5	–	–	3/3	2/2
Independent Non-executive Directors					
Mr. How Sze Ming	5/5	6/6	–	–	2/2
Mr. Jung Chi Pan, Peter	4/5	6/6	–	3/3	2/2
Mr. Mak Tung Sang	5/5	6/6	–	3/3	2/2

Accountability and Audit

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 December 2018, the remuneration paid or payable to the Company's auditor, KPMG, in respect of their audit services was as follows:

	HK$
Audit services	860,000

Internal Control and Risk Management

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. The Board has reviewed the effectiveness of the systems of internal control and risk management of the Group, covering all material controls, including financial and operation for the year ended 31 December 2018 on an annual basis. The Board considers that the internal control system and risk management are effective. As disclosed in the Company's prospectus dated 22 December 2015, the Company has established a Corporate Governance Department to conduct periodic internal control reviews and legal compliance reviews on the Group's operations and to present its reports to the Audit Committee for consideration, including any remedial plans, if deemed necessary or appropriate. Under this system, the Audit Committee, after due consideration, will present its recommendations on such remedial plans to the Board, which would make the final decision on the implementation of such remedial plans.

Handling and Dissemination of Inside Information

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Company and the Stock Exchange.

Investors and Shareholders Relations

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's branch share registrars and transfer office in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

Accountability and Audit (Continued)

Investors and Shareholders Relations (Continued)

The Company strives to take into consideration its shareholders' views and inputs, and address shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. According to Article 64 of the Articles, one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a shareholder wishes to propose a person (the "Candidate") for election as a Director of the Company at a general meeting, he/she shall deposit a written notice (the "Written Notice") to the Company's principal place of business in Hong Kong at 3/F, Allied Cargo Centre, 150-164 Texaco Road, Tsuen Wan, N.T.

The Written Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Company's shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director of the Company without adjourning the general meeting, shareholders are urged to submit and lodge the Written Notice as early as practicable preferably at least 15 business days prior to the date of the general meeting appointed for such election.

In order to promote effective communication, the Company also maintains website (www.world-linkasia.com) which includes the latest information relating to the Group and its businesses.

Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation of and dissemination to Directors comprehensive Board meeting agendas and papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

Ms. Leung Ho Yee has been appointed as the Company Secretary of the Company with effect from 10 August 2015 and the Authorised Representative with effect from 4 September 2015. She is a certified public accountant as defined in the Professional Accountants Ordinance. Ms. Leung Ho Yee has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

Significant Changes in Constitutional Documents

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2018.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38.

The Board is pleased to announce that at the Board meeting held on 25 March 2019, resolutions have been passed to recommend the payment of a Final Dividend of HK1.0 cent (2017: HK1.0 cent) per share amounting to HK$4,840,000.

Special Dividend of HK2.0 cents (2017: HK3.5 cents) was declared during the year of 2018 and paid in 2019.

Dividend Policy

The Board of Directors of the Company has on 25 March 2019 approved the adoption of guidelines on future dividends to be paid by the Company in accordance with the CG Code. The Company is committed to maintaining sufficient resources and flexibility to meet the Company's financial and operational requirements. At the same time, the Company continually seeks ways to enhance shareholders' value to ensure sustainable long-term yields for shareholders.

Under the Dividend Policy, the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

- the Articles of Association of the Company;
- the applicable restrictions and requirements under the laws of the Cayman Islands;
- any banking or other funding covenants by which the Company is bound from time to time;
- the investment and operating requirements of the Company; and
- any other factors that have material impact on the Company.

The Board may consider distributing special dividend to all shareholders, and the amount of which shall be determined and approved by the Board at its absolute discretion.

Under the Cayman Islands Companies Act and the Articles of Association of the Company, all of our shareholders have equal entitlement to dividends and distributions. The Board shall have the right to review the Dividend Policy from time to time as it deems fit according to the financial and business development requirements of the Company.

The Directors now recommend the payment of a final dividend of 1 HK cent per ordinary share (2017: 1 HK cent per ordinary share) in respect of the year ended 31 December 2018.

Annual General Meeting

The forthcoming annual general meeting (the "Annual General Meeting") of the Company is scheduled to be held on Monday, 17 June 2019. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company (the "Shareholders") on Wednesday, 15 May 2019.

The register of members of the Company will be closed from Tuesday, 11 June 2019 to Monday, 17 June 2019 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 June 2019.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity in this annual report.

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 82.

Major Customers and Suppliers

The Group's largest customer contributed 49.9% of the total revenue for the year while the Group's five largest customers accounted for 93.1% of the total revenue for the year.

Since the Group has a very wide supplier base, the aggregate purchase attributable to the Group's five largest suppliers was 57.0% of the Group's total purchases for the year.

None of the Directors, their respective close associates (as defined in the Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

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

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

Sufficiency of Public Float

Throughout the year ended 31 December 2018 until the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Share Capital

Details of the Company's share capital are set out in note 22 to the consolidated financial statements.

Distributable Reserves of the Company

Share premium, capital reserve and retained profit of the Company are available for distribution to ordinary shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. Accordingly, the Company's reserves available for distribution to shareholders at 31 December 2018 amounted to approximately HK$80,030,000 (2017: HK$76,930,000).

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Yeung Kwong Fat *(Chairman and CEO)*
Mr. Lee Kam Hung
Mr. Luk Yau Chi, Desmond

Independent Non-executive Directors

Mr. How Sze Ming
Mr. Mak Tung Sang
Mr. Jung Chi Pan, Peter

Appointment and re-election of Directors

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Under the code provision A.4.1 of the CG Code, the Non-executive Directors should be appointed for a specific term. Each of the Executive Directors has entered into an appointment letter with the Company for an initial term of three years and each of the Independent Non-executive Director has entered into an appointment letter with the Company for an initial term of one year subject to early removal from office in accordance with the Articles, and subject to the retirement and re-election provisions in the Articles.

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 16 December 2018 subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles. Each of the Independent Non-executive Directors has entered into an appointment letter with the Company for an initial term of one year subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independent Non-Executive Directors' Confirmation of Independence

The Company received, from each of the Independent Non-executive Directors, Mr. How Sze Ming, Mr. Mak Tung Sang and Mr. Jung Chi Pan, Peter, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee assessed the independence of the Independent Non-executive Directors and affirmed that all Independent Non-executive Directors remained independent.

Share Incentive Scheme

Award Shares to Directors

As stated in note 27 to the consolidated financial statements, the Company had on 19 January 2018 conditionally awarded Award Shares to the following Directors subject to the vesting conditions as set out below:

Name of Directors	No. of Award Shares	Vesting date/ No. of Award Shares
Mr. Yeung Kwong Fat ("Mr. Yeung")	3,344,000	21 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. Lee Kam Hung ("Mr. Lee")	3,344,000	21 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. Luk Yau Chi Desmond ("Mr. Luk")	3,344,000	21 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. How Sze Ming ("Mr. How")	64,000	21 January 2019/64,000
Mr. Mak Tung Sang ("Mr. Mak")	64,000	21 January 2019/64,000
Mr. Jung Chi Pan Peter ("Mr. Jung")	64,000	21 January 2019/64,000

Subject to the fulfilment of the conditions as stated in the announcement of the Company published on 19 January 2018 and the selected Directors remain a Director of the Company on each relevant issue date, the Company has allotted and issued the Award Shares to each selected Director on 21 January 2019 and will allot and issue the second and third tranches Award Shares to Mr. Yeung, Mr. Lee and Mr. Luk on the respective vesting date as stated above.

Pursuant to the terms and vesting conditions, the first tranche of the Award Shares each of 1,072,000 Shares were issued and allotted to Mr. Yeung, Mr. Lee and Mr. Luk on 21 January 2019.

On 21 January 2019, Award Shares totalling 192,000 Shares were issued and allotted to the three INEDs, Mr. How as to 64,000 Shares and Mr. Jung as to 64,000 Shares and Mr. Mak as to 64,000 Shares pursuant to the terms of the Award Shares.

For the year ended 31 December 2018, the Group recognised a total expense of HK$2,940,000 (2017: HK$Nil) in relation to such Award Shares.

Pursuant to the terms and vesting conditions, the first tranche of the Award Shares totalling Shares were issued and allotted to 7 Independent Selected Individuals on 21 January 2019. The second and the third tranches Award Shares will be issued and allotted to the 7 Independent Selected Individuals in 2020 and 2021.

Please refer to the announcement of the Company dated 19 January 2018 for details.

Directors' and Chief Executives' Interests in Shares

As at 31 December 2018, the Directors and their associates and chief executives had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Interests in the Company

Name of Director and chief executives	Capacity	Number of shares held		Number of underlying shares pursuant to Award Shares	Total interests	Percentage of Company's issued share capital
		Personal interests	Other interests			
Mr. Yeung Kwong Fat (Note 1, 2)	Interest in a controlled corporation; and beneficial owner	7,400,000	125,348,000	3,344,000	136,092,000	28.35%
Mr. Lee Kam Hung (Note 1, 3)	Interest in a controlled corporation; and beneficial owner	624,000	130,296,000	3,344,000	134,264,000	27.97%
Mr. Luk Yau Chi, Desmond (Note 1, 4)	Interest in a controlled corporation; and beneficial owner	1,800,000	64,988,000	3,344,000	70,132,000	14.61%
Mr. How Sze Ming (Note 5)	Beneficial owner	–	–	64,000	64,000	0.01%
Mr. Jung Chi Pan, Peter (Note 6)	Beneficial owner	–	–	64,000	64,000	0.01%
Mr. Mak Tung Sang (Note 7)	Beneficial owner	–	–	64,000	64,000	0.01%
Ms. Leung Ho Yee (Note 8)	Beneficial owner	–	–	520,000	520,000	0.11%

Notes:

1. As Mr. Yeung, Mr. Lee and Mr. Luk no longer intend to be bound by the acting in concert arrangement with each other for the purpose of family wealth and estate planning regarding their respective interests in the Company, they have on 9 July 2018 entered into a deed of termination (the "Termination Deed") to terminate the acting in concert arrangement under the Confirmatory Deed. Please refer to the announcement published by the Company on 9 July 2018 for details.

2. 136,092,000 Shares in which Mr. Yeung is interested consist of (i) 125,348,000 Shares held by Orange Blossom International Limited, a company wholly owned by Mr. Yeung, in which Mr. Yeung is deemed to be interested under the SFO, (ii) 7,400,000 Shares is directly held by Mr. Yeung and (iii) 3,344,000 underlying Shares which have been conditionally awarded to Mr. Yeung and to be issued and allotted under three tranches in 2019, 2020 and 2021 pursuant to the Share Award Scheme adopted by the Company in 2018.

3. 134,264,000 Shares in which Mr. Lee is interested consist of (i) 130,296,000 Shares held by Best Matrix Global Limited, a company wholly owned by Mr. Lee, in which Mr. Lee is deemed to be interested under the SFO, (ii) 624,000 Shares is directly held by Mr. Lee and (iii) 3,344,000 underlying Shares which have been conditionally awarded to Mr. Lee and to be issued and allotted under three tranches in 2019, 2020, 2021 pursuant to the Share Award Scheme adopted by the Company in 2018.

4. 70,132,000 Shares in which Mr. Luk is interested consist of (i) 64,988,000 Shares held by Leader Speed Limited, a company wholly owned by Mr. Luk, in which Mr. Luk is deemed to be interested under the SFO, (ii) 1,800,000 Shares is directly held by Mr. Luk and (iii) 3,344,000 underlying Shares which have been conditionally awarded to Mr. Luk and to be issued and alloted under three tranches in 2019, 2020 and 2021 pursuant to the Share Award Scheme adopted by the Company in 2018.

5. 64,000 underlying Shares have been conditionally awarded to Mr. How and to be issued and allotted in 2019 pursuant to the Share Award Scheme adopted by the Company in 2018.

6. 64,000 underlying Shares have been conditionally awarded to Mr. Jung and to be issued and allotted in 2019 pursuant to the Share Award Scheme adopted by the Company in 2018.

7. 64,000 underlying Shares have been conditionally awarded to Mr. Mak and to be issued and allotted in 2019 pursuant to the Share Award Scheme adopted by the Company in 2018.

8. 520,000 underlying Shares have been conditionally awarded to Ms. Leung and to be issued and allotted under three tranches in 2019,2020 and 2021 pursuant to the Share Award Scheme adopted by the Company in 2018.

Interests in associated corporation(s) of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Percentage of shareholding
Mr. Yeung	Orange Blossom International Limited	Beneficial interests	1	100%
Mr. Lee	Best Matrix Global Limited	Beneficial interests	1	100%
Mr. Luk	Leader Speed Limited	Beneficial interests	1	100%

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Shares

As at 31 December 2018, the following persons (other than Directors or Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Percentage of Company's issued share capital
Best Matrix Global Limited (Note 1)	Beneficial owner	130,296,000	27.15%
Leader Speed Limited (Note 1)	Beneficial owner	64,988,000	13.54%
Orange Blossom International Limited (Note 1)	Beneficial owner	125,348,000	26.11%
Ms. Law Wai Yee (Note 2)	Interest of spouse	136,092,000	28.35%
Ms. Chan Pik Shan (Note 3)	Interest of spouse	134,264,000	27.97%
Ms. Wong Soo Fung (Note 4)	Interest of spouse	70,132,000	14.61%
Ms. Hui Pui Shan (Note 5)	Interest of spouse	64,000	0.01%
Ms. Chan Ka Man (Note 6)	Interest of spouse	64,000	0.01%
Ms. Wong Shuk Ling, Janine (Note 7)	Interest of spouse	64,000	0.01%

Substantial Shareholders' Interests in Shares (Continued)

Notes:

1. As Mr. Yeung, Mr. Lee and Mr. Luk no longer intend to be bound by the acting in concert arrangement with each other for the purpose of family wealth and estate planning regarding their respective interests in the Company, they have on 9 July 2018 entered into a deed of termination (the "Termination Deed") to terminate the acting in concert arrangement under the Confirmatory Deed. Please refer to the announcement published by the Company on 9 July 2018 for details.

2. Ms. Law Wai Yee is the spouse of Mr. Yeung and is deemed, or taken to be, interested in Shares in which Mr. Yeung has interest under the SFO.

3. Ms. Chan Pik Shan is the spouse of Mr. Lee and is deemed, or taken to be, interested in Shares in which Mr. Lee has interest under the SFO.

4. Ms. Wong Soo Fung is the spouse of Mr. Luk and is deemed, or taken to be, interested in Shares in which Mr. Luk has interest under the SFO.

5. Ms. Hui Pui Shan is the spouse of Mr. How and is deemed, or taken to be, interested in Shares in which Mr. How has interest under the SFO.

6. Ms. Chan Ka Man is the spouse of Mr. Jung and is deemed, or taken to be, interested in Shares in which Mr. Jung has interest under the SFO.

7. Ms. Wong Shuk Ling, Janine is the spouse of Mr. Mak and is deemed, or taken to be, interested in Shares in which Mr. Mak has interest under the SFO.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2018.

Change In Controlling Shareholders

Upon execution of the Termination Deed, Mr. Yeung, Mr. Lee, Mr. Luk and their respective wholly-owned companies will not be deemed to be interested in each other's interest in the share of the Company and they are no longer a group of shareholders of the Company acting in concert pursuant to the Code of Takeovers and Mergers. As a result, each of Mr. Yeung, Mr. Lee, Mr. Luk and their respective wholly owned companies, namely Orange Blossom International Limited, Best Matrix Global Limited and Leader Speed Limited, with interest less than 30% voting right in the Company, are no longer controlling shareholders of the Company upon the execution of the Termination Deed. Please refer to the announcement published by the Company on 9 July 2018 for details.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2018 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of 31 December 2018 or at any time during the year ended 31 December 2018.

Emolument Policy

The Remuneration Committee reviews the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

Permitted Indemnity Provisions

At no time during the year ended 31 December 2018 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in Section 2(1) of the Hong Kong Companies Ordinance.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the remuneration of the Directors and the five highest paid individuals for the year are set out in note 8 to the consolidated financial statements respectively.

Corporate Governance

The Company has complied with all code provisions (except for the deviation from CG code provision A.2.1) as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 15 to 24.

Environmental, Society and Corporate Responsibility

The Group is committed to support environmental protection to ensure business development and sustainability. We implement green office practices to reduce the consumption of energy and natural resources. These practices include the use of energy-saving lightings and recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible.

The Company has complied with all relevant laws and regulations which include the Companies Law of the Cayman Islands and the Listing Rules and maintained good relationship with its customers, employees and investors.

The report of Environmental, Social and Governance of the Group will be published on the HKExnews website of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and Company's website (www.world-linkasia.com) no later than three months after the publication of the Group's annual report.

Charitable Donation

The Company did not make any charitable donation during the year ended 31 December 2018 (2017: HK$500,000).

Relationship with Employees, Customers and Suppliers

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives.

For the year ended 31 December 2018, there was no serious and material dispute between the Group and its employees, customers and suppliers.

Compliance with Laws and Regulations

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2018.

Auditor

KMPG were first appointed as auditor of the Company in 2018 upon the retirement of Deloitte.

KPMG retire and, being eligible, offer themselves for reappointment. A resolution will be submitted to the annual general meeting of the Company to re-appoint KPMG as auditor of the Company.

On behalf of the Board

Yeung Kwong Fat
Chairman and Chief Executive Officer

Hong Kong, 25 March 2019

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
WORLD-LINK LOGISTICS (ASIA) HOLDING LIMITED
環宇物流(亞洲)控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of World-Link Logistics (Asia) Holding Limited (the "Company") and its subsidiaries ("the Group") set out on pages 38 to 81, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Revenue recognition	
The Group is primarily involved in the provision of logistics services in Hong Kong. For the year ended 31 December 2018, the Group's logistics solutions business income and customisation services income are approximately HK$121 million and HK$34 million respectively. Revenue from logistics solutions business and customisation services is recognised when the services are rendered, with reference to the contractual terms of the service contract. We have identified revenue recognition as a key audit matter as revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet financial targets or expectations.	Our audit procedures in relation to revenue recognition included the following: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the Group's key internal controls over revenue recognition; • Inspecting, on a sample basis, the service agreements signed with customers of the Group and assessing the revenue recognition criteria with reference to the requirements of the prevailing accounting standards; • Sending confirmations to the Group's customers to confirm the revenue recognised during the year, on a sample basis. For unreturned confirmations, comparing the revenue with underlying documentation confirmed by the customers; • Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation such as service agreements, to determine whether the related revenue had been recognised in the appropriate financial period; and • Inspecting underlying documentation for manual journal entries relating to revenue which were raised during the year and met specific risk-based criteria.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sylvene Fong.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Notes	**2018 HK$'000**	2017 HK$'000
Revenue	6	**155,210**	163,610
Other income		**504**	1,181
Employee benefits expenses		**(52,652)**	(46,417)
Depreciation of property, plant and equipment		**(3,898)**	(2,009)
Operating lease rentals in respect of rented premises		**(42,241)**	(42,482)
Sub-contracting expenses		**(28,043)**	(26,750)
Operating lease rental in respect of plant, machinery and equipment		**(1,053)**	(1,421)
Other expenses		**(13,433)**	(16,040)
Cost of sales recognised		**(257)**	(715)
Profit before taxation		**14,137**	28,957
Income tax expense	9	**(3,029)**	(5,327)
Profit and total comprehensive income for the year attributable to equity shareholder of the Company	10	**11,108**	23,630
Earnings per share (HK cents)	12		
Basic		**2.31**	4.92
Diluted		**2.26**	4.92

The notes on pages 42 to 81 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 11(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018
(Expressed in Hong Kong dollars)

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	13	**7,211**	8,792
Rental deposits	15	**5,582**	6,775
Deferred tax assets	16	**905**	685
Prepayments for property, plant and equipment		**500**	–
		14,198	16,252
Current assets			
Inventories – finished goods		**34**	403
Trade and other receivables and contract assets	17	**47,551**	47,681
Rental deposits	15	**1,422**	–
Short-term bank deposit with original maturity over three months	18	**13,000**	37,000
Tax recoverable		**1,706**	–
Bank balances and cash	18	**32,921**	18,172
		96,634	103,256
Current liabilities			
Trade and other payables and accrued expenses	19	**8,235**	7,966
Tax payable		**–**	1,500
Dividend payable		**9,600**	–
		17,835	9,466
Net current assets		**78,799**	93,790
Total assets less current liabilities		**92,997**	110,042
Non-current liabilities			
Provisions	21	**717**	610
NET ASSETS		**92,280**	109,432
CAPITAL AND RESERVES			
Share capital	22	**4,800**	4,800
Reserves	23	**87,480**	104,632
TOTAL EQUITY		**92,280**	109,432

The consolidated financial statements on pages 38 to 81 were approved and authorised for issue by the Board of Directors on 25 March 2019 and are signed on its behalf by:

Mr. Yeung Kwong Fat
Director

Mr. Lee Kam Hung
Director

The notes on pages 42 to 81 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017		4,800	49,350	10	–	31,642	85,802
Changes in equity for the year ended 31 December 2017:							
Profit and total comprehensive income for the year		–	–	–	–	23,630	23,630
At 31 December 2017 and 1 January 2018		4,800	49,350	10	–	55,272	109,432
Changes in equity for the year ended 31 December 2018:							
Profit and total comprehensive income for the year		–	–	–	–	11,108	11,108
Recognition of equity-settled share-based payment	27	–	–	–	2,940	–	2,940
Dividend approved in respect of previous year	11	–	–	–	–	(21,600)	(21,600)
Dividend declared in respect of the current year	11	–	–	–	–	(9,600)	(9,600)
At 31 December 2018		4,800	49,350	10	2,940	35,180	92,280

The notes on pages 42 to 81 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before taxation	**14,137**	28,957
Adjustments for:		
Depreciation of property, plant and equipment	**3,898**	2,009
Equity-settled share-based payment expense	**2,940**	–
Interest income	**(303)**	(325)
Gain on disposal of property, plant and equipment	**–**	(384)
Operating cash flows before movements in working capital	**20,672**	30,257
Increase in rental deposits	**(229)**	(169)
Decrease/(increase) in inventories	**369**	(403)
Decrease/(increase) in trade and other receivables and contract assets	**130**	(1,071)
Increase in trade and other payables and accrued expenses	**376**	133
Net cash generated from operations	**21,318**	28,747
Hong Kong Profits Tax paid	**(6,455)**	(5,931)
Net cash generated from operating activities	**14,863**	22,816
Investing activities		
Net withdrawal/(placement) of short-term bank deposit with original maturity over three months	**24,000**	(17,000)
Payments for purchase of property, plant and equipment	**(2,817)**	(7,572)
Proceeds from disposal of property, plant and equipment	**–**	544
Interest received	**303**	325
Net cash generated from/(used in) investing activities	**21,486**	(23,703)
Financing activity		
Dividend paid to equity shareholders of the Company	**(21,600)**	–
Net cash used in financing activity	**(21,600)**	–
Net increase/(decrease) in cash and cash equivalents	**14,749**	(887)
Cash and cash equivalents at the beginning of the year	**18,172**	19,059
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**32,921**	18,172

The notes on pages 42 to 81 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General

World-Link Logistics (Asia) Holding Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 27 July 2015 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" in this annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company acts as an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the integrated logistics service and packing services. Particulars of the subsidiaries are set out in note 14.

2 Possible Impact of Amendments, New Standards and Interpretations Issued but not Yet Effective for the Year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Hong Kong Financial Reporting Standard ("HKFRS") 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

2 Possible Impact of Amendments, New Standards and Interpretations Issued but not Yet Effective for the year ended 31 December 2018 (Continued)

HKFRS 16, *Leases*

As disclosed in note 3(p), currently the Group classifies leases into operating leases and accounts for the lease arrangements depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. The Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 25, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$22,778,000 and HK$606,000 for properties and other assets respectively, which are payable within 1 year. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK$76,774,000 and HK$72,860,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

3 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follow:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

3 Significant Accounting Policies (Continued)

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

3 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, *Financial instruments* (Continued)

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

For further details on the Group's accounting policy for accounting for credit losses, see note 3(h).

There has been no significant impact on the Group as a result of this change in accounting policy.

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively. There has been no impact on the Group as a result of this change in policy.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

3 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and rendering of services.

b. *Significant financing component*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

There has been no impact on the Group as a result of this change in policy.

3 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (Continued)

c. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has reclassified unbilled revenue amounting to HK$800,000 from trade and other receivables to contract assets at 1 January 2018. Trade and other receivables and contract assets are aggregated into a single line item "Trade and other receivables and contract assets" on the face of the statement of financial position.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(f)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3 Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 3(f)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Plant and machinery	3 – 5 years
– Furniture and equipment	5 years
– Other equipment	3 – 5 years
– Leasehold improvement	Over the period of lease term
– Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- **Calculation of recoverable amount**

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3 Significant Accounting Policies (Continued)

(f) Impairment of other non-current assets (Continued)

– **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– **Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

(g) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

(h) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 3(r)).

3 Significant Accounting Policies (Continued)

(h) Trade and other receivables (Continued)

(i) Policy applicable from 1 January 2018

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3 Significant Accounting Policies (Continued)

(h) Trade and other receivables (Continued)

(i) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

3 Significant Accounting Policies (Continued)

(h) Trade and other receivables (Continued)

(i) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, financial assets are assessed for indicators of impairment at the end of each reporting period and are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of financial assets have been affected.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty;

– breach of contract, such as default or delinquency in interest and principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3 Significant Accounting Policies (Continued)

(h) Trade and other receivables (Continued)

(ii) Policy applicable prior to 1 January 2018 (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance amount. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 3(h)(i).

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

3 Significant Accounting Policies (Continued)

(k) Employee benefits

(i) Share-based payments

The fair value of Award Shares granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the valuation model, taking into account the terms and conditions upon which the Award Shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the Award Shares, the total estimated fair value of the Award Shares is spread over the vesting period, taking into account the probability that the Award Shares will vest.

During the vesting period, the number of Award Shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of Award Shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until the Award Shares are issued (when it is included in the amount recognised in share capital for the shares issued).

(ii) Retirement benefit costs

Payments to the retirement contribution scheme and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Provision for long service payments are recognised as an expense when employees have rendered services entitling them upon their retirement. The amount recognised represents the difference between the statutory requirement entitling the employees and the accrued benefits derived from employer's contributions made to the retirement contribution scheme/MPF Scheme. The amount is reviewed on an annual basis and adjusted as appropriate.

(iii) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of the bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(l) Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3 Significant Accounting Policies (Continued)

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3 Significant Accounting Policies (Continued)

(m) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Service income

Service fees are recognised as revenue when the relevant services have been rendered.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

3 Significant Accounting Policies (Continued)

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payments made for leasehold land classified as operating leases, are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's senior executive management, including Executive Directors, chief executive officer, chief operation officer and chief financial officer, who collectively review the Group's internal reporting in order to make strategic decisions.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(r) Contract assets

A contract asset is recognised when the Group recognises revenue (see note 3(n)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 3 (h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 3(n)).

3 Significant Accounting Policies (Continued)

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(t) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Accounting Judgement and Estimates

Sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty are as follows:

Impairment of receivables

The Group performs regular review of the receivables and makes loss allowance based on various factors including the ageing of the receivables, historical write-off experience and forward looking information. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying values of receivables and the impairment loss on receivable is recognised in the years in which such estimates have been changed.

5 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserve.

The Directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with each class of capital. Based on recommendation of Directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as share buy-backs.

The Group monitors capital on the basis of the adjusted net debt-to-equity ratio. The ratios as at 31 December 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Current liabilities	**17,835**	9,466
Non-current liabilities	**717**	610
Total debt	**18,552**	10,076
Less: dividend payable	**(9,600)**	–
Adjusted net debt	**8,952**	10,076
Total equity	**92,280**	109,432
Adjusted net debt-to-equity ratio	**9.7%**	9.2%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6 Revenue

	2018 HK$'000	2017 HK$'000
Warehousing services income	**73,282**	77,625
Transportation services income	**37,720**	36,493
Customisation services income	**33,759**	39,703
Value-added services income	**10,070**	8,696
Sale of goods	**379**	1,093
	155,210	163,610

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by operating segments is disclosed in note 7(a).

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$646,000. This amount represents revenue expected to be recognised in the future from service contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 36 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its service contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the service contracts that had an original expected duration of one year or less.

7 Segment Information

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the Executive Directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment. The Directors regularly review revenue and results analysis by (i) logistics solutions business; (ii) customisation services; and (iii) others. No operating segments have been aggregated in arriving at the reportable segments of the Group. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

(a) Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

7 Segment Information (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2018

	Logistics solutions business HK$'000	Customisation services HK$'000	Others HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition						
Point in time	78,025	34,177	379	112,581	–	112,581
Overtime	42,629	–	–	42,629	–	42,629
Revenue						
Revenue from external customers	120,654	34,177	379	155,210	–	155,210
Inter-segment revenue	6,000	–	–	6,000	(6,000)	–
	126,654	34,177	379	161,210	(6,000)	155,210
Results						
Segment results	14,325	4,743	122			19,190
Unallocated corporate income						75
Unallocated corporate expenses						(5,128)
Profit before taxation						14,137

7 Segment Information (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2017

	Logistics solutions business HK$'000	Customisation services HK$'000	Others HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition						
Point in time	67,601	40,010	1,093	108,704	–	108,704
Overtime	54,906	–	–	54,906	–	54,906
Revenue						
Revenue from external customers	122,507	40,010	1,093	163,610	–	163,610
Inter-segment revenue	6,000	–	–	6,000	(6,000)	–
	128,507	40,010	1,093	169,610	(6,000)	163,610
Results						
Segment results	22,340	10,145	378			32,863
Unallocated corporate income						331
Unallocated corporate expenses						(4,237)
Profit before taxation						28,957

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3(q). Segment results represents profit earned from each segment without allocation of certain corporate income and expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

7 Segment Information (Continued)

(b) Other segment information

For the year ended 31 December 2018

	Logistics solutions business HK$'000	Customisation services HK$'000	Segment total HK$'000
Additions to non-current assets	**2,298**	**19**	**2,317**
Depreciation of property, plant and equipment included in the measure of segment results	**3,812**	**86**	**3,898**

For the year ended 31 December 2017

	Logistics solutions business HK$'000	Customisation services HK$'000	Segment total HK$'000
Additions to non-current assets	7,288	284	7,572
Depreciation of property, plant and equipment included in the measure of segment results	1,935	74	2,009
Gain on disposal of property, plant and equipment included in the measure of segments results	384	–	384

(c) Geographical information

The Group's operations are located in Hong Kong.

(d) Information about major customers

Revenue from customers of corresponding years contributing over 10% of the Group's revenue are as follows:

	2018 HK$'000	2017 HK$'000
Customer A	**23,819**	29,450
Customer B	**77,511**	87,728
Customer C	**30,422**	–*

* The corresponding amount is less than 10% of the Group's total revenue for the year ended 31 December 2017.

Revenue from Customer A, B and C are generated from both of the logistics solutions business and customisation services segments.

8 Directors' Remuneration and Employees' Emoluments

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable by the entities comprising the Group to the Directors and the chief executive of the Company are as follows:

For the year ended 31 December 2018

Name of Director	Fee HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments (note iv) HK$'000	Total HK$'000
Executive Directors (note i)					
Mr. Yeung Kwong Fat (note ii)	220	1,502	172	768	2,662
Mr. Lee Kam Hung	220	1,502	172	768	2,662
Mr. Luk Yau Chi, Desmond	220	1,502	18	768	2,508
Independent Non-executive Directors (note iii)					
Mr. How Sze Ming	162	–	–	29	191
Mr. Jung Chi Pan, Peter	162	–	–	29	191
Mr. Mak Tung Sang	162	–	–	29	191
	1,146	4,506	362	2,391	8,405

For the year ended 31 December 2017

Name of Director	Fee HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors (note i)				
Mr. Yeung Kwong Fat (note ii)	200	1,408	161	1,769
Mr. Lee Kam Hung	200	1,225	142	1,567
Mr. Luk Yau Chi, Desmond	200	1,225	18	1,443
Independent Non-executive Directors (note iii)				
Mr. How Sze Ming	144	–	–	144
Mr. Jung Chi Pan, Peter	144	–	–	144
Mr. Mak Tung Sang	144	–	–	144
	1,032	3,858	321	5,211

8 Directors' Remuneration and Employees' Emoluments (Continued)

(a) Directors' and the chief executive's emoluments (Continued)

(i) The Executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(ii) Mr. Yeung Kwong Fat is the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

(iii) The Independent Non-executive Directors' emoluments shown above were mainly for their services as Directors of the Company.

(iv) Share-based payments represent the estimated value of Award Shares granted to the Directors and Independent Non-executive Directors under the Company's share award scheme. The value of these Award Shares is measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(k)(i).

Details of these benefits in kind, including the principal terms and numbers of Award Shares granted, are disclosed under note 27.

(b) Employees' emoluments

The five highest paid individuals of the Group for the year include 3 (2017: 3) individuals who were appointed as Directors of the Company. The emoluments of the remaining 2 (2017: 2) individuals for the years are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other allowances	**1,236**	1,044
Performance related incentive payments	**103**	87
Retirement benefit scheme contributions	**36**	39
Share-based payments	**191**	–
	1,566	1,170

The emoluments of the employees were less than HK$1,000,000 each during the year.

During the year, no emoluments were paid by the Group to any of the Directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors of the Company or the chief executive of the Group waived any emoluments during both years.

9 Income Tax in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2018 **HK$'000**	2017 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**3,284**	5,262
Over-provision in respect of prior years	**(35)**	(19)
	3,249	5,243
Deferred tax		
Origination and reversal of temporary differences (note 16)	**(220)**	84
	3,029	5,327

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-18, subject to a maximum reduction of HK$30,000 for each business (2017: a maximum reduction of HK$20,000 was granted for the year of assessment 2016-17 and was taken into account in calculating the provision for 2017). The Group is eligible for 8.25% tax band of the first HK$2,000,000 under the two-tiered tax regime introduced by the Hong Kong SAR Government in 2018.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**14,137**	28,957
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**2,168**	4,778
Tax effect of expenses not deductible for tax purposes	**934**	701
Tax effect of income not taxable for tax purposes	**(38)**	(133)
Over-provision in prior years	**(35)**	(19)
Income tax expense for the year	**3,029**	5,327

10 Profit for the Year

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Employee benefits expenses		
– Wages, salaries and allowances	**47,490**	44,495
– Post-employment benefits	**2,222**	1,922
– Share based payments	**2,940**	–
Auditor's remuneration		
– Audit services	**860**	1,066
– Non-audit services	**–**	300
Bank interest income	**(303)**	(325)
Gain on disposal of property, plant and equipment	**–**	(384)
Cost of inventories sold	**257**	715

11 Dividend

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2018 HK$'000	2017 HK$'000
Final dividend proposed after the end of the reporting period of 1 HK cent per ordinary share (2017: 1 HK cent per ordinary share)	**4,840**	4,800
Special dividend proposed after the end of the reporting period of Nil per ordinary share (2017: 3.5 HK cents per ordinary share)	**–**	16,800
Special dividend declared of 2 HK cents per ordinary share (2017: Nil)	**9,600**	–
	14,440	21,600

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018 HK$'000	2017 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1 HK cent per share (2017: Nil)	**4,800**	–
Special dividend in respect of the previous financial year, approved and paid during the year, of 3.5 HK cents per share (2017: Nil)	**16,800**	–
	21,600	–

12 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$11,108,000 (2017: HK$23,630,000) and the weighted average of 480,000,000 ordinary shares (2017: 480,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018 '000	2017 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	**480,000**	480,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$11,108,000 (2017: HK$23,630,000) and the weighted average of number share of ordinary shares of 491,408,000 shares (2017: 480,000,000) shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018 '000	2017 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	**480,000**	480,000
Effect of deemed issue of ordinary shares under the Company's share award scheme for a subscription price of 50 HK cents per share	**11,408**	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**491,408**	480,000

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

13 Property, Plant and Equipment

	Plant and machinery HK$'000	Furniture and equipment HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2017	4,218	9,729	1,519	1,178	4,688	21,332
Additions	1,804	–	297	5,164	307	7,572
Disposals	(56)	(81)	–	–	(1,894)	(2,031)
At 31 December 2017 and 1 January 2018	5,966	9,648	1,816	6,342	3,101	26,873
Additions	718	–	347	785	467	2,317
At 31 December 2018	6,684	9,648	2,163	7,127	3,568	29,190
Depreciation						
At 1 January 2017	3,419	9,057	1,173	577	3,717	17,943
Provided for the year	495	376	202	702	234	2,009
Eliminated on disposals	(56)	(49)	–	–	(1,766)	(1,871)
At 31 December 2017 and 1 January 2018	3,858	9,384	1,375	1,279	2,185	18,081
Provided for the year	960	166	278	2,136	358	3,898
At 31 December 2018	4,818	9,550	1,653	3,415	2,543	21,979
Carrying values						
At 31 December 2018	1,866	98	510	3,712	1,025	7,211
At 31 December 2017	2,108	264	441	5,063	916	8,792

(Expressed in Hong Kong dollars)

14 Investment in Subsidiaries

Name of subsidiary	Place of incorporation and operations	Issued and fully paid ordinary share capital	Proportion of issued share capital owned by the Group		Principal activities
			2018	2017	
Real Runner Limited	British Virgin Islands	US$3,000	**100%** (note)	100% (note)	Investment holding
World-Link Roadway System Company Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of warehousing, transportation and value-added services
World-Link Packing House Company Limited	Hong Kong	HK$100	**100%**	100%	Provision of customisation services

Note: Real Runner Limited is directly held by the Company.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

15 Rental Deposits

The balances represent rental deposits placed by the Group in connection with its rented premises. An amount of HK$5,582,000 (2017: HK$6,775,000) will expire after one year from the end of the respective reporting period. Therefore, this balance is classified as non-current. All of the other rental deposits are expected to be expired within one year.

16 Deferred Tax Assets

(a) Deferred tax assets recognised

The followings are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000
At 1 January 2017	769
Charge to profit or loss	(84)
At 31 December 2017 and 1 January 2018	685
Credit to profit or loss	220
At 31 December 2018	905

(b) Deferred tax assets not recognised

The Group has no material deferred tax assets not recognised.

17 Trade and Other Receivables and Contract Assets

	31 December 2018 HK$'000	1 January 2018 HK$'000 (Note)	31 December 2017 HK$'000 (Note)
Trade receivables	**44,514**	44,158	44,958
Prepayments	**1,923**	1,590	1,590
Contract assets (note 20)	**532**	800	–
Deposits and other receivables	**582**	1,133	1,133
	47,551	47,681	47,681

Note: Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to contract assets.

The Group allows a credit period ranging from 0 day to 120 days (2017: 0 day to 75 days) to its customers. All of trade and other receivables and contract assets are expected to be recovered within one year.

17 Trade and Other Receivables and Contract Assets (Continued)

The following is an aging analysis of trade receivables presented based on the invoice dates at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
0 – 30 days	**18,172**	16,484
31 – 60 days	**14,105**	16,622
61 – 90 days	**9,993**	5,247
Over 90 days	**2,244**	6,605
	44,514	44,958

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments. The Group does not hold any collateral over these balances. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 24(ii).

18 Bank Balances and Cash and Short-Term Bank Deposit with Original Maturity Over Three Months

Bank balances and cash of the Group comprise bank balances and short-term bank deposits that are interest-bearing at prevailing market rates and are with maturity of three months or less. The bank deposits carry interest at 0.01% (2017: 0.01%) per annum.

Short-term bank deposit with original maturity over three months as at 31 December 2018 carries interest ranging from 0.86% to 2.15% (2017: 0.74% to 0.86%) per annum.

19 Trade and Other Payables and Accrued Expenses

	2018 HK$'000	2017 HK$'000
Trade payables aged within 30 days	**2,620**	2,603
Accrued employees benefits	**3,118**	2,374
Provision for long service payments (note 21)	**193**	270
Accrued expenses	**1,863**	2,145
Other payables	**441**	574
	8,235	7,966

All of the trade and other payables and accrued expenses are expected to be settled within one year or are payable on demand.

20 Contract Assets

	31 December 2018 HK$'000	1 January 2018 HK$'000 (Note)	31 December 2017 HK$'000 (Note)
Contract assets			
Arising from performance under service contracts	**532**	800	–

Note: Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to contact assets.

All contract asset are expected to be recovered within one year.

21 Provisions

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Non-current liabilities	**717**	610
Current liabilities	**193**	270
	910	880

	Long service payments HK$'000	Reinstatement works HK$'000	Total HK$'000
At 1 January 2017	890	248	1,138
Reversal of provision	(254)	–	(254)
Utilisation of the provision	(4)	–	(4)
At 31 December 2017 and 1 January 2018	632	248	880
Provision for the year	30	–	30
At 31 December 2018	662	248	910

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of services with the Group. The amount payable is dependent on the employees' final salary and years of services, and is reduced by entitlement accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above.

The provision for the reinstatement works represents the management's best estimate of the liabilities associated with the removal and disposal of leasehold improvements at the end of a lease term when the Group is contractually obliged to restore the rented premises to a condition specified in the lease agreements.

22 Share Capital

	Number of shares '000	Amount HK$'000
Authorised		
At 1 January 2017, 31 December 2017 and 31 December 2018 of 1 HK cent	10,000,000	100,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	480,000	4,800

	HK$'000
Shown in the consolidated statement of financial position	4,800

23 Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 29 to the financial statements.

(b) Nature and purpose of reserves

(i) Share premium

Pursuant to the Companies Law (2004 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve comprises the fair value of the actual or estimated number of unexercised Award Shares granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3(k)(i).

24 Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, short-term bank deposit with original maturity over three months, bank balances and cash and trade and other payables.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group's bank balances carry interest at variable rates and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank deposits. The Directors of the Company consider the Group's exposure is not significant as those interest-bearing bank deposits and bank balances are within a short maturity period and hence no sensitivity analysis has been prepared.

(ii) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are credit worthy banks with no recent history of default, for which the Group considers to have a low credit risk.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual customer at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings.

As at 31 December 2018, the Group has concentration of credit risk as 45.2% (2017: 41.9%) of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 94.9% (2017: 97.3%) of the total trade receivables as at 31 December 2018. The management of the Group considered that the credit risk of amounts due to these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 120 days from the date of billing. Normally the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

24 Financial Risk Management Objectives and Policies (Continued)

(ii) Credit risk (Continued)

Expected loss rates are based on actual loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. ECL rates of the trade receivables are assessed to be minimal, because of the customers' good background and reputation and no past default history. Thus, the loss allowance provision for such balances was insignificant and no loss allowance provision was recognised in respect of the trade receivables for the year ended 31 December 2018.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. The ageing analysis of trade receivables that were not considered to be impaired was as follows:

	2017 HK$'000
Current (not past due)	34,285
1 – 30 days past due	7,226
31 – 60 days past due	1,214
61 – 90 days past due	1,465
More than 90 days past due	768
	44,958

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

(iii) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's contractual maturity for its financial liabilities are based on the agreed repayment dates, which is less than 30 days or repayable on demand.

(iv) Fair value measurement

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their respective fair values at the end of the reporting period.

25 Operating Leases

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, machinery and equipment which fall due as follows:

	2018 HK$'000	2017 HK$'000
Rented premises		
Within one year	**22,778**	39,926
In the second to fifth year inclusive	**–**	20,916
	22,778	60,842
Machinery and equipment		
Within one year	**606**	170
In the second to fifth year inclusive	**–**	16
	606	186
	23,384	61,028

Operating lease payments represent rentals payable by the Group for its office premises, warehouses, machinery and equipment. Leases are negotiated for the period of one to three years.

26 Retirement Benefit Schemes

The Group operates a defined contribution scheme for all qualified employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group also participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year, the total amount contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefit scheme contributions made by the Group during the year amounted to HK$2,166,000 (2017: HK$2,130,000).

Provision for long service payments is recognised as an expense when employees have rendered services entitling them on cessation of employment in certain circumstances. Further details are disclosed in note 21.

(Expressed in Hong Kong dollars)

27 Equity-Settled Share-Based Transactions

On 19 January 2018 (the "Award Date"), 12,000,000 Award Shares were granted to 13 selected individuals at the Subscription Price of 50 HK cents per Award Shares, (i) up to 10,224,000 Connected Award Shares will be awarded to 6 connected selected individuals by way of issue and allotment of new Shares and (ii) up to 1,776,000 Independent Award Shares will be awarded to 7 independent selected individuals by way of issue and allotment of new Shares. The purposes of the Award Shares is to allow the Group to retain and provide incentives to the selected individuals for the continual operation and development of the Group and allow the Group to recognise and motivate the contributions made by the selected individuals to the Group.

The Award Shares granted to the grantees will vest in 3 equal instalments on the first, second and third anniversary of the Award Date. The number of Award Shares to be vested in the first tranche is subject to the fulfilment of performance guarantee mechanism with reference to revenue generated from new customers of the Group for the year ended 31 December 2018 as set out in the share award scheme. The number of Award Shares to be vested in the subsequent tranches is subject to the service condition of the grantees.

As at 31 December 2018, the Award Shares granted are not vested nor issued to the grantees yet. Movements in the number of Award Shares are as follows:

	2018 Number of Award Shares granted but not yet vested
At 19 January 2018	**12,000,000**
At 31 December 2018	**12,000,000**

The total fair value of the Award Shares amounted to HK$4,332,000. The estimated fair value of the Award Shares on the grant date is determined by reference to the market price of the Company's shares at that date, taking into account the terms and conditions. The Group recognised share-based payment expenses of HK$2,940,000 during the year ended 31 December 2018 with a corresponding increase in a capital reserve within equity.

28 Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

Remuneration for key management is the amount paid to the Company's Directors as disclosed in note 8. Total remuneration is included in "employee benefits expenses".

29 Company-Level Statement of Financial Position

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investment in a subsidiary	**25,183**	25,183
Current assets		
Other receivables	**282**	486
Amount due from a subsidiary	**63,777**	33,822
Short-term bank deposit with original maturity over three months	**–**	22,000
Bank balances and cash	**5,288**	566
	69,347	56,874
Current liabilities		
Other payables and accrued expenses	**100**	327
Dividend payable	**9,600**	–
	9,700	327
Net current assets	**59,647**	56,547
Net assets	**84,830**	81,730
Capital and reserves		
Share capital	**4,800**	4,800
Reserves (note)	**80,030**	76,930
	84,830	81,730

29 Company-Level Statement of Financial Position (Continued)

Note:

	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	49,350	25,183	–	2,290	76,823
Profit for the year	–	–	–	107	107
At 31 December 2017 and 1 January 2018	49,350	25,183	–	2,397	76,930
Profit for the year	–	–	2,940	31,360	34,300
Dividend approved in respect of previous year	–	–	–	(21,600)	(21,600)
Dividend declared in respect of the current year	–	–	–	(9,600)	(9,600)
At 31 December 2018	49,350	25,183	2,940	2,557	80,030

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 25 March 2019 and are signed on its behalf by:

Mr. Yeung Kwong Fat
Director

Mr. Lee Kam Hung
Director

30 Non-Adjusting Events After the Reporting Period

On 21 January 2019, the Group issued the first tranche of 4,000,000 Award Shares. Further details of the share-based payments are disclosed in note 3(k)(i).

31 Comparative Figures

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3(c).

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out below:

Results

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	134,812	125,161	149,724	163,610	**155,210**
Profit before taxation	25,093	2,706	28,752	28,957	**14,137**
Income tax expense	(3,677)	(2,556)	(5,241)	(5,327)	**(3,029)**
Profit for the year attributable to the shareholders	21,416	150	23,511	23,630	**11,108**
Assets and Liabilities					
Total assets	57,450	95,143	96,433	119,508	**110,832**
Total liabilities	(34,459)	(32,852)	(10,631)	(10,076)	**(18,552)**
Net assets	22,991	62,291	85,802	109,432	**92,280**