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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 (the "**Period**"), together with the comparative figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Notes	***(Unaudited)***	*(Unaudited)*
Revenue	*3*	**77,133**	76,087
Other income		**306**	652
Employee benefits expenses		**(24,431)**	(21,806)
Depreciation of property, plant and equipment		**(1,994)**	(853)
Operating lease rentals in respect of rented premises		**(20,973)**	(18,911)
Sub-contracting expenses		**(13,234)**	(14,002)
Cost of sales recognised		**(207)**	(100)
Operating lease rental in respect of plant, machinery and equipment		**(571)**	(781)
Other expenses		**(7,413)**	(7,321)
Profit before taxation		**8,616**	12,965
Income tax expense	*5*	**(1,639)**	(2,369)
Profit and total comprehensive income for the period		**6,977**	10,596
Earnings per share *(HK cents)*	*7*	**1.45**	2.20

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**30 June 2018** **HK$'000** **(Unaudited)**	31 December 2017 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**8,307**	8,792
Rental deposits		**6,775**	6,775
Deferred tax assets		**744**	685
		15,826	16,252
Current assets			
Inventories – finished goods		**–**	403
Trade and other receivables	*9*	**41,465**	47,681
Short-term bank deposit with original maturity over three months		**13,000**	37,000
Bank balances and cash		**37,691**	18,172
		92,156	103,256
Current liabilities			
Trade and other payables and accrued expenses	*10*	**5,474**	7,966
Tax payable		**1,929**	1,500
Dividend payable		**4,800**	–
		12,203	9,466
Net current assets		**79,953**	93,790
Total assets less current liabilities		**95,779**	110,042
Non-current liabilities			
Provisions		**610**	610
NET ASSETS		**95,169**	109,432
CAPITAL AND RESERVES			
Share capital	*11*	**4,800**	4,800
Reserves		**90,369**	104,632
TOTAL EQUITY		**95,169**	109,432

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the owners of the Company					
	Share capital	**Share premium**	**Merger reserve**	**Share-based payment reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017 (audited)	4,800	49,350	10	–	31,642	85,802
Profit and total comprehensive income for the period	–	–	–	–	10,596	10,596
At 30 June 2017 (unaudited)	4,800	49,350	10	–	42,238	96,398
At 1 January 2018 (audited)	4,800	49,350	10	–	55,272	109,432
Profit and total comprehensive income for the period	–	–	–	–	6,977	6,977
Recognition of equity – settled share-based payment expense	–	–	–	360	–	360
Dividends	–	–	–	–	(21,600)	(21,600)
At 30 June 2018 (unaudited)	4,800	49,350	10	360	40,649	95,169

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
NET CASH FROM OPERATING ACTIVITIES	**13,667**	6,032
INVESTING ACTIVITIES		
Withdrawal of short term bank deposit with original maturity over three months	**37,000**	20,000
Placement of short term bank deposit with original maturity over three months	**(13,000)**	(33,000)
Purchase of property, plant and equipment	**(1,509)**	(403)
Interest received	**161**	159
Proceeds on disposal of property, plant and equipment	**–**	260
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**22,652**	(12,984)
CASH USED IN A FINANCING ACTIVITY		
Dividends paid	**(16,800)**	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**19,519**	(6,952)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**18,172**	19,059
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**37,691**	12,107

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 Growth Enterprise Market*(Note)* ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 December 2015. On 15 November 2017, the Company has successfully transferred the shares listed on GEM to the Main Board of 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 the annual report.

Note: Name changed to GEM on 15 February 2018.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the integrated logistics services and packing services.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Other than changes in accounting polices resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's unaudited condensed consolidated financial statements:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Logistics solutions business
- Customisation services

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The application of HKFRS 15 in the current interim period has had no material impact on the amounts and/or disclosures reported in these unaudited condensed consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 *Financial instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and other items and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 january 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL (Continued)

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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The application of HKFRS 9 in the current interim period has had no material impact on the amounts and/or disclosures reported in these unaudited condensed consolidated financial statements.

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

2.3 Employee benefits

Award shares granted to Directors and employees of the Group

The Group has applied HKFRS 2 *Share-based Payment* to award shares granted on 19 January 2018.

Equity-settled share-based payment expense to Directors and employees providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve). When the awarded shares are vested, the amount previously recognised in share-based payment reserve will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognised in share-based payment reserve will be recognised as income immediately in profit or loss.

3. REVENUE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Transportation services income	**18,711**	19,246
Warehousing services income	**37,950**	34,813
Customisation services income	**15,688**	17,920
Value-added services income	**4,474**	3,964
Sale of goods	**310**	144
	77,133	76,087

4. 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.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments.

	Revenue from external customers Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Logistics solutions business	**63,962**	60,896
Customisation services	**15,861**	18,047
Others	**310**	144
Segmental total	**80,133**	79,087
Eliminations	**(3,000)**	(3,000)
Total	**77,133**	76,087

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent profit earned from each segment without allocation of corporate income and expenses. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment.

Other segment information

	Addition to non-current assets	
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Logistics solutions business	**1,491**	7,288
Customisation services	**18**	284
Segment total	**1,509**	7,572

Non-current assets excluded deferred tax assets.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Hong Kong Profits Tax		
– current period	**1,717**	2,393
– prior year	**(19)**	–
Deferred taxation	**(59)**	(24)
Total income tax expense for the period	**1,639**	2,369

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 16.5%).

6. INTERIM DIVIDEND

A special dividend (the "**Special Dividend**") of HK3.5 cents (year ended 31 December 2016 : Nil) per share amounting to HK$16,800,000 in aggregate was declared and approved by the Board pursuant to Article 155 (c) of the Company's Articles of Association on 22 March 2018. The Special Dividend was paid in cash during the six months ended 30 June 2018.

At the Company's annual general meeting held on 21 June 2018, the shareholders of the Company approved the payment of a final dividend of HK1.0 cent per share amounting to HK$4,800,000 in aggregate (year ended 31 December 2016: Nil) for the year ended 31 December 2017, as recommended by the Board, which was paid in cash to the shareholders of the Company on 19 July 2018, whose names appeared on the register of members of the Company on 3 July 2018.

The Board does not recommend any interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

7. EARNINGS PER SHARE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of earnings per share	**6,977**	10,596

	Six months ended 30 June	
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of earnings per share	**480,000,000**	480,000,000

Diluted earnings per share is not presented for the periods as there is no potential ordinary share outstanding at the end of reporting periods.

8. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired approximately HK$1,509,000 (six months ended 30 June 2017: HK$403,000) of equipment.

9. TRADE RECEIVABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade receivables	**39,199**	44,958

The Group generally allows a credit period ranging from 0 days to 75 days to its customers.

The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables, presented based on invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0–30 days	**13,520**	16,484
31–60 days	**11,603**	16,622
61–90 days	**9,516**	5,247
Over 90 days	**4,560**	6,605
	39,199	44,958

10. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade payables aged within 30 days	**2,615**	2,603
Accrued employees benefits	**1,254**	2,374
Provision for long service payments	**270**	270
Accrued expenses	**704**	2,145
Other payables	**631**	574
	5,474	7,966

11. SHARE CAPITAL

	Number of shares	*HK$'000*
Issued and fully paid:		
At 31 December 2017 and 30 June 2018	480,000,000	4,800

12. SHARE INCENTIVE SCHEME

Award Shares to Directors

The Company had on 19 January 2018 (the "**Award Date**") conditionally awarded award shares (the "**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	3,344,000	19 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. Lee Kam Hung	3,344,000	19 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. Luk Yau Chi Desmond	3,344,000	19 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. How Sze Ming	64,000	19 January 2019/64,000
Mr. Mak Tung Sang	64,000	19 January 2019/64,000
Mr. Jung Chi Pan Peter	64,000	19 January 2019/64,000

The Company had also on the Award Date conditionally awarded 1,776,000 Independent Award Shares to seven Independent Selected Individuals.

Subject to the fulfilment of the conditions as stated in the circular of the Company dated 20 April 2018 in relation to (i) the proposed issue of new Shares pursuant to specific mandate and (ii) connected transaction in relation to the proposed issue of new Shares to connected persons pursuant to specific mandate (the "**Circular**") (unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular of the Company) and the Selected Individuals remain as a Director or employee of the Company (as the case maybe) on each relevant issue date, the Company will allot and issue the Award Shares to each Selected Individuals on the respective vesting dates.

13. OPERATING LEASES

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:

	30 June 2018 *HK$'000* *(Unaudited)*	31 December 2017 *HK$'000* *(Audited)*
Rented premises		
Within one year	**39,221**	39,926
In the second to fifth year inclusive	**1,664**	20,916
	40,885	60,842
Rented machinery and equipment		
Within one year	**1,013**	170
In the second to fifth year inclusive	**363**	16
	1,376	186
	42,261	61,028

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is one of the well-established logistics service providers in Hong Kong and always maintain high quality of services. Most of the Group's customers are leading multi-national companies and thus we customise our services to meet their unique needs.

In 2018, our strategic focus is in diversifying our business in different segments. We have successfully extended our presence from the household and personal care segment of the fast moving consumer goods ("**FMCG**") segment to the food and beverage ("**F&B**") segment. The newly join giant customer which was obtained in the fourth quarter of 2017 is a multi-national family-owned manufacturer of confectionery and pet care brands and became one of our five largest customers. This demonstrated that we have strategically diversified our business and so our business is able to grow in a healthy way in the future.

We are also proud to announce that our distribution centre has already been qualified as one of a few distribution centres by a global pharmaceutical company which is listed on the New York Stock Exchange. The stringent quality requirements from 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 focus on household and personal care segment of the FMCG segment, but we have also diversified into the pharmaceuticals and nutrition products segment of the FMCG segment as well. This is the second endorsement as a qualified distribution centre with global pharmaceutical companies within three years. We have been endorsed as a qualified distribution centre in 2016 by a global pharmaceutical company which is listed on both the London Stock Exchange and the New York Stock Exchange.

Cold chain business is also a segment we never forget. The revenue from the cold chain business increased by approximately ten times from the first half of 2017 to the first half of 2018. In the first half of 2018, we have started to provide a total supply cold chain solution to one of the key restaurant players in Hong Kong. They have more than 100 shops in Hong Kong. We have provided a total supply cold chain solution to our prestige customer from warehousing to transportation services. This new customer has contributed to the huge growth of revenue in the cold chain business in the first half of 2018 comparing with the first half of 2017. We expect the cold chain business will grow continuously in the future.

It is encouraging that revenue from the new business grew by approximately 91 times from the first half of 2017 to the first half of 2018 and the Group achieved stable revenue in the first half of 2018 when comparing with the same period in 2017. Furthermore, the gross profit margin of the Group for the first six months of 2018 is similar to the average gross profit margin for the same period in 2015 to 2017. This demonstrated that we are able to keep the direct cost at a stable level throughout 2015 to 2018.

"Invest for the future" is a key strategy in 2018. The amount of provision of depreciation resulting from the upgrade of warehousing facilities and other fixed assets in 2017 for the six months ended 30 June 2018 compared to the six months ended 30 June 2017 increased by approximately 233.8%. This showed our continuous investment in the warehousing facilities and we are equipped to prepare for the future. At the same time, we have simplified our operational model. We have streamlined the customers' system to enhance co-operation with the customers. In the second half of 2018, we will continue to invest and to upgrade the warehouse facilities and the information technology system (the "**IT System**") to re-engine process and to improve productivity.

Our employees are the most valuable assets to the Group and our employees are a solid foundation to the Group. The expenses on enhancing staff benefits for the six months ended 30 June 2018 compared to the six months ended 30 June 2017 increased by approximately 12.0%. This demonstrated that our cost to reward and retain talents has increased in the first half of 2018. Despite the pressure of the increased labour cost in 2018, we have invested more resources in staff salaries package and training to enhance our service quality. To reward our staff, the Group will allot and issue Award Shares to some of our staff.

It is management's belief that investing in the future is one of the core value of World-Link's success and distinguishes World-Link from our key competitors. The financial results of investment may not been realized in the short term but the Board is highly encouraged by what we have achieved in the first half of 2018 including qualified as one of a few distribution centres by a global pharmaceutical company and recruited one of the key catering players in the cold chain business. All these could contribute to the Group in a healthy way.

The Group's core focus is our service quality. We always take one step ahead to understand the needs of our customers. We add value to our services by solving their daily operation difficulties. We carefully manage our operational process to make our supply chain truly flexible and efficient. We treasure our existing customers and maintain a long-standing relationship with our customers. It is, therefore, our aspiration is to make our business sustainable.

We care for the society and take up social responsibility. The Community Chest of Hong Kong which provided sponsorships to 160 social welfare organizations presented an award to our Group in the Annual Award Ceremony in 2018.

Outlook

In 2018, the Board is of the view that the Company should continue its business strategy for the current business segments of the Company while extra efforts should be put on expanding the FMCG and the F&B sectors to seize the opportunity in developing the cold chain logistics business and to attract new customers. The Group targets to invest for the future especially the warehouse facilities, staff retention and the IT system and get well prepared for the future increasing demand of the cold chain logistics business.

With the cooperation and support of all our staff, we will continue to provide flexible logistics solutions to our new and existing customers. We will respond quickly to fulfil the customers' requirements. The Group will continue to improve our service quality so as to expand the Group's business and customer base.

Financial Review

Revenue

The revenue of the Group increased by approximately 1.4% from approximately HK$76.1 million for the six months ended 30 June 2017 to approximately HK$77.1 million for the six months ended 30 June 2018. The revenue remained stable in both periods.

Revenue generated from warehousing services increased by approximately 9.0% from approximately HK$34.8 million for the six months ended 30 June 2017 to HK$38.0 million for the six months ended 30 June 2018.

Revenue generated from customisation services decreased by approximately 12.5% from approximately HK$17.9 million for the six months ended 30 June 2017 to HK$15.7 million for the six months ended 30 June 2018. The decrement of revenue from customisation services was caused by the change of promotional activities of our customers.

Revenue generated from transportation services decreased by approximately 2.8% from approximately HK$19.2 million for the six months ended 30 June 2017 to HK$18.7 million for the six months ended 30 June 2018.

Revenue generated from value added services and sale of goods increased by approximately 16.5% from approximately HK$4.1 million for the six months ended 30 June 2017 to HK$4.8 million for the six months ended 30 June 2018. The increment of revenue from value added services was due to the provision of value added services to new customers.

Employee benefits expenses

Employee benefits expenses primarily consisted of wages and salaries, medical benefits, and other allowances and benefits. Our employee benefits expenses amounted to approximately HK$24.4 million for the six months ended 30 June 2018 (for the six months ended 30 June 2017: HK$21.8 million). Our Group had a total of 279 and 258 full-time employees as at 31 December 2017 and 30 June 2018 respectively. The decreasing number of staff was due to natural wastage and reorganization of organization structure while the increment of employee benefits expenses was driven by the improvement of staff benefits for staff retention.

Other expenses

Other expenses mainly included other operating cost for warehousing and value-added services, electricity, repair and maintenance, consumables, entertainment, rates and office and store supplies. For the six months ended 30 June 2018, other expenses amounted to approximately HK$7.4 million (for the six months ended 30 June 2017: HK$7.3 million).

Taxation

The taxation mainly represented the provision of Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profits during the six months ended 30 June 2017 and 2018.

Profit and total comprehensive income for the six months ended 30 June 2018

Our Group recorded a net profit after taxation of approximately HK$7.0 million for the six months ended 30 June 2018, representing a decrement of approximately 34.2% compared to the six months ended 30 June 2017. The decrement of net profit after taxation was mainly driven by (i) the improvement of staff benefits; and (ii) increase in the amount of provision of depreciation resulting from upgrade of warehousing facilities.

INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments during the reporting period were financed principally by cash generated from its business operations. As at 30 June 2018, the Group had net current assets of approximately HK$80.0 million (31 December 2017: approximately HK$93.8 million) and had cash and cash equivalents of approximately HK$37.7 million as at 30 June 2018 (31 December 2017: approximately HK$18.2 million) and short-term bank deposit with original maturity over three months of HK$13.0 million as at 30 June 2018 (31 December 2017: HK$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 30 June 2018, the gearing ratio (calculated on the basis of total bank borrowings divided by total assets at the end of the six months period) of the Group is nil (31 December 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 30 June 2018, the Group did not have material capital commitments (31 December 2017: Nil).

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 payment of dividends, issuance of new shares as well as issue of new debt and redemption of existing debt.

MATERIAL ACQUISITIONS AND DISPOSAL

During the six months ended 30 June 2018, the Group had no material acquisitions and disposals of subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 258 (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 and the prevailing market condition.

CHARGE ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2018, the Group has no bank borrowings (31 December 2017: Nil). The Group has banking facility of HK$45.0 million which were guaranteed by the Company (31 December 2017: HK$45.0 million). The Group has no material contingent liabilities as at 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

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 six months ended 30 June 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2018, the Directors and their associates 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	Capacity	Number of shares held			Percentage of Company's issued share capital
		Personal interests	Other interests	Total interests	
Mr. Yeung Kwong Fat *(Note 1, 2)*	Interest in a controlled corporation; interests held jointly with another person; beneficial owner	5,916,000	322,264,000	328,180,000	68.37%
Mr. Lee Kam Hung *(Note 1, 3)*	Interest in a controlled corporation; interests held jointly with another person; beneficial owner	624,000	327,556,000	328,180,000	68.37%
Mr. Luk Yau Chi, Desmond *(Note 1, 4)*	Interest in a controlled corporation; interests held jointly with another person; beneficial owner	1,440,000	326,740,000	328,180,000	68.37%

Notes:

1. On 24 August 2015, Mr. Yeung, Mr. Lee, and Mr. Luk entered into a confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of our Group. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of our Group, i.e. Best Matrix Global Limited (being wholly owned by Mr. Lee), Mr. Lee, Orange Blossom International Limited (being wholly owned by Mr. Yeung), Mr. Yeung, Leader Speed Limited (being wholly owned by Mr. Luk) and Mr. Luk, is deemed to be interested in 68.37% of the issued share capital of our Company.

2. 328,180,000 Shares in which Mr. Yeung is interested consist of (i) 124,956,000 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) 5,916,000 Shares is directly held by Mr. Yeung; and (iii) 197,308,000 Shares in which Mr. Yeung is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee and Mr. Luk.

3. 328,180,000 Shares in which Mr. Lee is interested consist of (i) 130,256,000 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) 197,300,000 Shares in which Mr. Lee is deemed to be interested as a result of being a party acting-in-concert with Mr. Yeung and Mr. Luk.

4. 328,180,000 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) 1,440,000 Shares is directly held by Mr. Luk; and (iii) 261,752,000 Shares in which Mr. Luk is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee and Mr. Yeung.

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 30 June 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 30 June 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; interests held jointly with another person	328,180,000	68.37%
Leader Speed Limited *(Note 1)*	Beneficial owner; interests held jointly with another person	328,180,000	68.37%
Orange Blossom International Limited *(Note 1)*	Beneficial owner; interests held jointly with another person	328,180,000	68.37%
Ms. Law Wai Yee *(Note 2)*	Interest of spouse	328,180,000	68.37%
Ms. Chan Pik Shan *(Note 3)*	Interest of spouse	328,180,000	68.37%
Ms. Wong Soo Fung *(Note 4)*	Interest of spouse	328,180,000	68.37%

Notes:

1. On 24 August 2015, Mr. Yeung, Mr. Lee, and Mr. Luk entered into a confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of our Group. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of our Group, i.e. Best Matrix Global Limited (being wholly owned by Mr. Lee), Mr. Lee, Orange Blossom International Limited (being wholly owned by Mr. Yeung), Mr. Yeung, Leader Speed Limited (being wholly owned by Mr. Luk) and Mr. Luk, is deemed to be interested in 68.37% of the issued share capital of our Company.

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.

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 30 June 2018.

TERMINATION OF THE CONFIRMATORY DEED

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.

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. 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.

SHARE INCENTIVE SCHEME

Award Shares to Directors

As stated in paragraph 12 of this announcement, the Company had on the Award Date 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	3,344,000	19 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. Lee Kam Hung	3,344,000	19 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. Luk Yau Chi Desmond	3,344,000	19 January 2019/1,072,000 19 January 2020/1,136,000 19 January 2021/1,136,000
Mr. How Sze Ming	64,000	19 January 2019/64,000
Mr. Mak Tung Sang	64,000	19 January 2019/64,000
Mr. Jung Chi Pan Peter	64,000	19 January 2019/64,000

Subject to the fulfilment of the conditions as stated in the Circular of the Company and the selected Directors remain a Director of the Company on each relevant issue date, the Company will allot and issue the Award Shares to each selected Director on the respective vesting date.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this announcement, at no time during the six months ended 30 June 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 30 June 2018 or at any time during the six months ended 30 June 2018.

COMPETING INTEREST

For the six months ended 30 June 2018, the Directors were not aware of any business or interest of the Directors, the Controlling shareholders, the management 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.

CORPORATE GOVERNANCE

Except for the deviation from CG Code provision A.2.1 of the Corporate Governance Code Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the "**CG Code**"), the Company's corporate governance practices have complied with the CG Code. Details of the continuing evolution of our corporate governance practices for the six months ended 30 June 2018 are set out in the 2017 annual report.

CG Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Yeung Kwong Fat 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, the 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.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") on 16 December 2015, which operates under terms of reference approved by the Board. 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, risk management to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, 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 Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. How Sze Ming, Mr. Mak Tung Sang and Mr. Jung Chi Pan Peter. Mr. How Sze Ming is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018.

By Order of the Board
World-Link Logistics (Asia) Holding Limited
Yeung Kwong Fat
Chairman and Chief Executive Officer

Hong Kong, 28 August 2018

As at the date of this announcement, the Executive Directors are Mr. Yeung Kwong Fat, Mr. Lee Kam Hung and Mr. Luk Yau Chi, Desmond; and the Independent Non-executive Directors are Mr. How Sze Ming, Mr. Jung Chi Pan Peter and Mr. Mak Tung Sang.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.