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

2020
Annual Report

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CHAIRMAN'S STATEMENT

Always Can Do

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 2020 ("2020").

The Group managed to achieve an increase in revenue even during the economic downturn in 2020. The outbreak of the COVID-19 has adversely impacted the global economy, tourism and the consumption sentiment. According to the statistics published by the "tradingeconomics.com" (an online platform which provides historical economic data, forecasts, news etc.), the GDP annual growth rate of Hong Kong for 2020 recorded a negative 3%, a drop for 2 consecutive years. The unemployment rate in Hong Kong also reached 6.6% in the last quarter of 2020, an increase from 3.4% of the first quarter. Despite the challenging economic environment in 2020, with the support of the Hong Kong SAR Government and our landlords, the Group managed to record a net profit of approximately HK$20.0 million for the year ended 31 December 2020. Please refer to the section entitled "Business Review" for details of our performance.

During 2020, we have maintained our strong position in the fast moving consumer goods ("FMCG") segment while continuously exploring the market in the Business-to-Customer ("B2C") sector and the distribution business. The revenue from the FMCG segment contributed most of our major income, representing 65.4% of the total revenue. During the epidemic period, the number of home delivery orders has increased. We have successfully caught the opportunity to expand our services to the B2C sector. We have also taken a further strategic step to move from a third party logistics ("3PL") service provider into a fourth party logistics ("4PL") service provider by setting up with our business partners a company engaged in distribution business after the acquisition of a Macau company in 2020.

Our profit margin has been adversely impacted by the COVID-19 as the volume of our customer operation has reduced. The Group has taken multiple steps to save our operation cost which include enhancing our capacity ratio and reducing idle cost. The Hong Kong SAR Government and our landlords have also given their kind support by providing us government grants and rent reduction. All these factors have enabled the Group to achieve a remarkable result during the difficult year in 2020.

Outlook

Looking ahead, the impact of COVID-19 pandemic situation remains uncertain. However, we expect that the global economy will gradually recover in the near future with the availability of vaccines. In the short run, before the vaccines have proved to be effective, we will continue to take a cautious approach to manage our operation and look for opportunities to expand our business and market. The management will continue to make our best effort to maintain our existing customers and approach new customers. We believe that our high quality service and the experienced team will be able to continue to provide our customers with good quality services and create value for our customers during this difficult time.

The Group will continue to devote its effort in preventing the spreading of the COVID-19 in its premises and to ensure the health and safety of our employees and customers. The Group will continue to optimize our services quality and IT systems to prepare ourselves when opportunities come once the COVID-19 is under control. We will implement more stringent cost control measures to further improve our cost efficiency. We believe that our strategic move as a 4PL services provider (i.e. an integrator that assembles the resources, capabilities and technologies of its own organization and other organizations to design, build and run comprehensive supply chain solutions executing the complete supply chain process, from start to finish, for the customer) will create additional value to our customers and enables us to attract new customers.

Appreciation

On behalf of my fellow Directors, I would like to thank all our staff for their devotion and faithful commitment, for the Group's achievements in 2020, despite the abovesaid challenges.

I would also like to extend my gratitude to our valued customers and business associates for their steadfast support. To our shareholders, we thank you for your confidence in the Group. We will commit ourselves to create sustainable shareholder value and solid financial performance in the years ahead. Last but not least, my heartfelt appreciation also goes to my fellow Directors for their guidance, advice and insight in steering the Group forward.

Yeung Kwong Fat
Chairman and Chief Executive Officer

Hong Kong, 25 March 2021

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

Mr. Cheng Sing Yuen, CPA

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
Mr. Cheng Sing Yuen

Company's Website

http://www.world-linkasia.com

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Registered Office in the Cayman Islands

Windward 3
Regatta Office Park
P.O. 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

Principal Share Registrar and Transfer Office in the Cayman Islands

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Bank of East Asia
Fubon Bank

Stock code

6083

Business Review

The Group is one of the well-established one-stop logistics service provider specializing in Fast Moving Consumer Goods and food and beverage. Our major customers are leading multi-national enterprises and our services are tailored for their unique needs. In addition, the Group has diversified into distribution business since we acquired a subsidiary in Macau in 2019 (the "Macau Subsidiary").

During 2020, the external economic environment was not in good condition due to the outbreak of the COVID-19. According to the Report entitled "Report on Monthly Survey of Retail Sales" for December 2020 released by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region, the value of the total retail sales has provisionally been estimated to have reduced by 24.3% in value over that of 2019 as a whole. Nevertheless, the Group managed to achieve an increase in revenue even during the economic downturn in 2020 with the significant growth contributed by the distribution business. The management believed that the volume of distribution business will further increase in the coming years and will bring additional profit to the Group even the profit margin was lower when compared to our other businesses.

The outbreak of the COVID-19 has adversely impacted the global economy, tourism and the consumption sentiment. To explore new markets and to enlarge the customer base, the Group has in 2019 built its presence in Macau by acquiring the Macau Subsidiary. In 2020, after our experience gained from Macau operation, we are glad to see the contribution from Macau and started to develop the distribution business in Hong Kong. After incorporating the distribution element to strengthen our supply chain management services, the Group is able to provide a chain of services which include storage, repacking and logistics management, as well as sales and marketing solution through our distribution network. We then managed to gain the business of a well-known international group which produces light products with headquarters in the Netherlands. The sales growth in 2020 has proved that our strategic move is effective and has diversified our business risk.

Achievement in 2020

As a result of the outbreak of the COVID-19 and the consequential imposition of quarantine, lockdown and travel restrictions in 2020, the demand for our services has significantly reduced which adversely affected our profit margin. Nevertheless, the Group has successfully maintained its profit margin close to 10% in 2020 due to our well established brand name, excellent service quality, built-up trust with major customers which are sizable international enterprises with higher resistant during the economic downturn, cost control and the support of the Government and the landlords.

The Group never forgets to upgrade itself to prepare for the competition and the digital world nowadays. The management believed that technology input and service quality are always our core competence to success in the future.

The Group has continued to enhance its IT system to improve its operating efficiency and effectiveness. In the last quarter of 2020, the Group has successfully upgraded its transportation management system ("TMS") by adding a track and trace function. This TMS provides transparency of our logistic services. The customers can timely track and trace the status and records of the delivery of their goods, hence created additional value to our customers and strengthened the bonding among us.

The management believes that business to customers ("B2C") business is one of the growth engines to the Group in the coming years. As such, the Group has implemented a new system to manage our online sales orders. This new system helps to reduce the time for processing sales orders and improve the accuracy and time record of our online sales order management. During 2020, more people have started to work from home and the demand for home delivery has boosted up. This new system enabled the Group to catch the opportunity to expand our home delivery services and to gain valuable experience for further growth in the e-commence sector. Our income from the home delivery services has increased by more than 3 times during 2020.

The Group continues to monitor its service quality to ensure satisfaction of its customers. In 2020, the Group gained the official accreditation of the ISO 22000 (Food Safety Management System), the HACCP (Hazard Analysis and Critical Control Points) and the GMP (Good Manufacturing Practice) in addition to the earning of the accreditation of the ISO 9001 (Quality Management System) since 2015. The granting of these accreditations proved that our operation procedures which include warehousing and distribution of food are in line with the standards of the international food supply chain. We have also successfully consolidated these quality standards into a recognized comprehensive quality management system. All these accreditations and the quality management system helped to build up the confidence of our customers. We have in 2020 successfully attracted a new customer which sells baby food and healthy products.

In recent years, the Group has reduced and diversified its business risks by expanding in new business sectors which include cold chain business and B2C business. Since 2020, by adding to our logistics management services with the sales and marketing elements through our distribution network, the Group is in the process of transforming into a fourth party logistics service provider. In 2020, after absorbing the experience gained from the Macau Subsidiary, the Group started a distribution business in Hong Kong with its business partners to provide a full supply chain services to a customer which produces well-known lighting products. The percentage of revenue from the distribution business to the overall revenue has increased by 2.6 times in 2020 when compared to that in 2019. The management believes that this strategic move not only helped the Group to reduce and diversify its business risks, it also enabled the Group to provide the customers with a chain of services which include both inventory management as well as sales and marketing activities. This is a win-win situation for both the Group and the customers as the Group will have the synergy to chain up the logistics management and its distribution network while our customers will be able to reduce their cost and enjoyed our package services.

Geographically, the Group extended its presence in Macau in 2019 and has kicked off the project in Shenzhen Qianhai in 2020. These moves are the strategic development of the Group which formed a triangle network in Greater Bay Area. The management believes that these strategic movement will enable the Group to deliver a total solution to its customers in this area in the future.

The Group is in the process of reviewing its projects on hand for profit maximization. After obtaining certain official accreditations in 2020, the management believes that the Group will be able to attract new customers in different sectors with higher profit margin. Moreover, the management foresees that the income from the distribution business will have promising growth in the coming years when more and more customers are able to enjoy our full package service.

With our motto "Always Can Do", the Group is committed to provide the best services and to create value to its customers. The Group will continue to strive its best endeavours to attract new customers and to diversify its business in 2021 which is another difficult year to come.

Financial Review

Revenue

The revenue of the Group increased by approximately 7.7% from approximately HK$197.2 million for the year ended 31 December 2019 to approximately HK$212.3 million for the year ended 31 December 2020. The increase in revenue was mainly attributable to the expansion and growth of the new distribution business since 2019.

Other net income

Other net income comprised bank interest income and other miscellaneous income. Other net income amounted to HK$2.1 million and HK$11.8 million for the year ended 31 December 2019 and the year ended 31 December 2020 respectively. The increment is mainly due to the receipt of Government grants of HK$9.4 million in 2020.

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$58.3 million for the year ended 31 December 2020 (2019: HK$57.3 million). The increment is mainly due to the increase in the basic salary for the staff. Our Group had a total of 223 and 221 full-time employees as at 31 December 2019 and 31 December 2020 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, repairs and maintenance, consumables, entertainment, rates, office and store supplies. For the years ended 31 December 2019 and 2020, other expenses amounted to approximately HK$14.3 million and HK$16.2 million respectively. The increment is mainly due to the other expenses incurred by the new business and provision of loss allowance in trade receivables during the year.

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 2020. The Hong Kong SAR Government granted a reduction of profits tax for the year of assessment 2019-2020. Please refer to Note 9(a) to the consolidated financial statements.

Profit and total comprehensive income for the year ended 31 December 2020

The Group recorded a net profit of approximately HK$20.9 million for the year ended 31 December 2020, representing a decrease of approximately 7.1% when compared to that for the year ended 31 December 2019. The decrease in the net profit is mainly due to the combined effect of (i) the drop in warehousing and customization services income from customers while the fixed cost has not dropped in similar level; and (ii) the receipt of Government grants.

Liquidity and Financial Resources

The Group's operation and investments are financed principally by cash generated from its business operations and bank borrowings. As at 31 December 2020, the Group had net current assets of approximately HK$80.1 million (2019: approximately HK$53.5 million), cash and cash equivalents and bank borrowings of approximately HK$62.0 million (2019: HK$47.7 million) and HK$4.5 million (2019: Nil) as at 31 December 2020, respectively. 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 2020, 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 0.02 (2019: Nil).

Foreign Currency Risk

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

Capital Commitment

As at 31 December 2020, the Group did not have material capital commitments (2019: Nil).

Dividend

On 27 November 2020, the Board declared a special dividend of HK2.5 cents per share of the Company, amounting to approximately HK$12,452,000 in total (the "Special Dividend"). The Special Dividend has been paid on Monday, 4 January 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 16 December 2020.

The Board is pleased to announce that at the Board meeting held on 25 March 2021, resolutions have been passed to recommend the payment of a final dividend (the "Final Dividend") of HK1.0 cent (2019: HK1.0 cent) per share amounting to approximately HK$5,018,000 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 Thursday, 15 July 2021 to the shareholders whose names appear on the register of members of the Company at the close of business on Monday, 28 June 2021, 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 2020, the register of members of the Company will be closed from Thursday, 24 June 2021 to Monday, 28 June 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 23 June 2021.

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 will review the Group's capital structure regularly. As part of this review, the Director will 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 debts and redemption of existing debts.

Charge on the Group's Assets and Contingent Liabilities

As at 31 December 2020, the Group has bank borrowings of approximately HK$4.5 million (2019: Nil). The subsidiaries within the Group have banking facilities of HK$55.0 million, in which HK$45.0 million (2019: HK$45.0 million) and HK$10.0 million (2019: Nil) are guaranteed by the Group and co-guaranteed by the Group and non-controlling interests, respectively.

The Group has no material contingent liabilities as at 31 December 2020 (2019: Nil).

Material Acquisitions and Disposal

For the year ended 31 December 2020, the Group did not have material acquisitions and disposal.

Employees and Remuneration Policies

As at 31 December 2020, the Group employed 221 (31 December 2019: 223) full time employees. We determine the employee's remuneration based on factors such as qualification, duty, contributions and years of experience.

Executive Directors

Mr. Yeung Kwong Fat (楊廣發), aged 68, 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 67, 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 56, 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 44, 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 20 years of experience in investment banking and business assurance industries. Mr. How is currently the managing director/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) Forgame Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 484) from January 2016 to April 2020 and; (ii) Shanghai Zendai Property Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 755) since May 2017; (iii) 1957 & Co. (Hospitality) Limited, a company listed on the GEM (Stock code: 8495) since November 2017, (iv) Watts International Maritime Engineering Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 2258) since November 2018 and (v) Ruicheng (China) Media Group Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 1640) since October 2019.

Mr. Jung Chi Pan, Peter (鍾智斌), aged 53, 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 worldwide. 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 the General Manager of Bizart Asia Limited, (a subsidiary of Pico Group). He is the Co-founder and the Vice Chariman 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 60, 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

Mr. Cheng Sing Yuen (鄭昇炫), aged 32, is the Chief Financial Officer, the Company Secretary and the authorised representative of our Group. He joined our Group in June 2020. He is mainly responsible for financial reporting, financial planning, treasury, financial control and company secretarial matters. Mr. Cheng obtained a Bachelor's Degree of Business Administration in Accounting from the Hong Kong Polytechnic University in 2011. Mr. Cheng became a member of the Hong Kong Institute of Certified Public Accountants since 2015. Mr. Cheng has not held any directorship in any public listed company in the past three years.

Prior to joining our Group, Mr. Cheng, aged 32, had worked in PricewaterhouseCoopers ("PwC") for approximately six years and the last position before he left the firm was a manager. He left the firm in 2019. He has over eight years of experience working in accounting, financial management and auditing. Mr. Cheng 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 notifiable transactions.

Mr. Chan Fu Yuen (陳富元), aged 41, 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 67, 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)).

Save as disclosed above, during the three years preceding the date of this annual 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.

CORPORATE GOVERNANCE REPORT

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 2020.

Competing Interest

For the year ended 31 December 2020, 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 2020, 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 annual 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 annual 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 2020, 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 2020, 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 2020, 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 2020, 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 to monitor the independence and objectivity of the external auditor, and to provide advice and comment to the Board on corporate governance issues and practices. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2020.

Remuneration Committee

Our Company established a Remuneration Committee on 16 December 2015. As at 31 December 2020, 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.

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, Director's fee, 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.

Board Committee (continued)

Nomination Committee

Our Company has established a Nomination Committee on 16 December 2015 with written terms of reference. As at 31 December 2020, 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.

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				✓	

Board Committee (continued)

Measurable Objectives (continued)

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.

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 21 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.

Board Committee (continued)

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	7	1	1	1
	Number of meetings attended/Number of meetings entitled to attend				
Executive Directors					
Mr. Yeung Kwong Fat	5/5	–	1/1	–	1/1
Mr. Lee Kam Hung	5/5	–	–	–	1/1
Mr. Luk Yau Chi, Desmond	4/5	–	–	1/1	1/1
Independent Non-executive Directors					
Mr. How Sze Ming	5/5	7/7	–	–	1/1
Mr. Jung Chi Pan, Peter	5/5	6/7	1/1	1/1	1/1
Mr. Mak Tung Sang	5/5	7/7	1/1	1/1	1/1

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 2020, 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 2020, the remuneration paid or payable to the Company's auditor, KPMG, in respect of their audit and non-audit services was as follows:

	HK$
Audit services	980,000
Non-audit services	6,000

Accountability and Audit (continued)

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 2020 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.

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.

Accountability and Audit (continued)

Investors and Shareholders Relations (continued)

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.

Mr. Cheng Sing Yuen has been appointed as the Company Secretary and the Authorised Representative of the Company with effect from 29 June 2020. He is a certified public accountant as defined in the Professional Accountants Ordinance. Mr. Cheng Sing Yuen has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2020.

Significant Changes in Constitutional Documents

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2020.

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 2020.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 17 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 34.

The Board is pleased to announce that at the Board meeting held on 25 March 2021, resolutions have been passed to recommend the payment of a Final Dividend of 1.0 HK cent (2019: 1.0 HK cent) per share amounting to approximately HK$5,018,000.

Special Dividend of 2.5 HK cents (2019: 1.5 HK cents and paid in 2020) was declared during the year of 2020 and paid in January 2021.

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 have on 25 March 2021 passed a board resolution to recommend the payment of a final dividend of 1.0 HK cent per ordinary share (2019: 1.0 HK cent per ordinary share) in respect of the year ended 31 December 2020.

Annual General Meeting

The forthcoming annual general meeting (the "Annual General Meeting") of the Company is scheduled to be held on Thursday, 17 June 2021. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company (the "Shareholders") on Friday, 14 May 2021.

The register of members of the Company will be closed from Thursday, 10 June 2021 to Thursday, 17 June 2021 (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 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 9 June 2021.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2020 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 84.

Major Customers and Suppliers

The Group's largest customer contributed 31.6% of the total revenue for the year while the Group's five largest customers accounted for 72.4% 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 63.5% 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 2020 until the date of this annual 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 30 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 2020 amounted to approximately HK$95,246,000 (2019: HK$92,304,000).

Directors

The Directors of the Company during the year and up to the date of this annual 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 34 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 20 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 20 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 20 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, 20 January 2020 and 19 January 2021.

Pursuant to the terms and vesting conditions, the first tranche of 1,072,000 Award Shares each were issued and allotted to each of Mr. Yeung, Mr. Lee and Mr. Luk (i.e. a total of 3,216,000 Award Shares were issued and allotted) on 21 January 2019. The second tranche of 1,136,000 Award Shares each were issued and allotted to each of Mr. Yeung, Mr. Lee and Mr. Luk (i.e. a total of 3,408,000 Award Shares were issued and allotted) on 20 January 2020 and the third tranche of 1,136,000 Award Shares each were issued and allotted to each of Mr. Yeung, Mr. Lee and Mr. Luk (i.e. a total of 3,408,000 Award Shares were issued and allotted) on 19 January 2021.

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

For the year ended 31 December 2020, the Group recognised a total expense of HK$258,000 (2019: HK$1,061,000) in relation to Award Shares.

Pursuant to the terms and vesting conditions, the first, second and the third tranches of the Award Shares totalling 1,552,000 Award Shares were issued and allotted to 7 Independent Selected Individuals on 21 January 2019, 20 January 2020 and 19 January 2021 respectively.

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 2020, 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 Executive	Capacity	Number of shares held/interested		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	13,732,000	81,192,000	1,136,000	96,060,000	19.29%
Mr. Lee Kam Hung (Note 1, 3)	Interest in a controlled corporation; and beneficial owner	2,832,000	143,796,000	1,136,000	147,764,000	29.67%
Mr. Luk Yau Chi, Desmond (Note 1, 4)	Interest in a controlled corporation; and beneficial owner	4,716,000	76,060,000	1,136,000	81,912,000	16.45%
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%

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. 96,060,000 Shares in which Mr. Yeung is interested consist of (i) 81,192,000 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) 13,732,000 Shares are directly held by Mr. Yeung and (iii) 1,136,000 underlying Shares which have been conditionally awarded to Mr. Yeung and to be issued and allotted under third tranche in 2021 pursuant to the Share Award Scheme adopted by the Company in 2018. The first and second tranches of Award Shares of 1,072,000 and 1,136,000 Shares were issued and allotted to Mr. Yeung in 2019 and 2020 respectively.

3. 147,764,000 Shares in which Mr. Lee is interested consist of (i) 143,796,000 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) 2,832,000 Shares are directly held by Mr. Lee and (iii) 1,136,000 underlying Shares which have been conditionally awarded to Mr. Lee and to be issued and allotted under the third tranche 2021 pursuant to the Share Award Scheme adopted by the Company in 2018. The first and second tranches of Award Shares of 1,072,000 and 1,136,000 Shares were issued and allotted to Mr. Lee in 2019 and 2020 respectively.

4. 81,912,000 Shares in which Mr. Luk is interested consist of (i) 76,060,000 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) 4,716,000 Shares are directly held by Mr. Luk and (iii) 1,136,000 underlying Shares which have been conditionally awarded to Mr. Luk and to be issued and alloted under the third tranche in 2021 pursuant to the Share Award Scheme adopted by the Company in 2018. The first and second tranches of Award Shares of 1,072,000 and 1,136,000 Shares were issued and allotted to Mr. Luk in 2019 and 2020 respectively.

5. 64,000 Shares have been awarded to Mr. How in 2019 pursuant to the Share Award Scheme adopted by the Company in 2018.

6. 64,000 Shares have been awarded to Mr. Jung in 2019 pursuant to the Share Award Scheme adopted by the Company in 2018.

7. 64,000 Shares have been awarded to Mr. Mak in 2019 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 2020, 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 2020, 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/ interested	Percentage of Company's issued share capital
Best Matrix Global Limited (Note 1)	Beneficial owner	143,796,000	28.87%
Leader Speed Limited (Note 1)	Beneficial owner	76,060,000	15.27%
Orange Blossom International Limited (Note 1)	Beneficial owner	81,192,000	16.30%
Ms. Law Wai Yee (Note 2)	Interest of spouse	96,060,000	19.29%
Ms. Chan Pik Shan (Note 3)	Interest of spouse	147,764,000	29.67%
Ms. Wong Soo Fung (Note 4)	Interest of spouse	81,912,000	16.45%
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%

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.

Substantial Shareholders' Interests in Shares (continued)

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 2020.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2020 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 2020 or at any time during the year ended 31 December 2020.

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 2020 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 page 12 to 21.

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 2020 (2019: Nil).

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 2020, 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 2020.

Auditor

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 2021

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 34 to 83, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 those 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)

Revenue recognition in respect of logistics solutions business segment and customisation services segment

Refer to note 6 to the consolidated financial statements and the accounting policy note 3(p).

The Key Audit Matter	How the matter was addressed in our audit
The Group is primarily involved in the provision of logistics services in Hong Kong. For the year ended 31 December 2020, the Group's logistics solutions business income and repacking related customisation services income are approximately HK$151 million and HK$23 million respectively, and they constitute major portions of the logistics solutions business segment and customisation services segment. Revenue from logistics solutions business and customisation services is recognised when the services are rendered, with reference to the contractual terms of the service agreements. We have identified revenue recognition as a key audit matter as revenue is one of the key performance indicators of the Group which give 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 in respect of logistics solutions business segment and customisation services segment 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; • Comparing, on a sample basis, the revenue with underlying documentation confirmed by the customers to determine whether the related revenue had been properly recognised; • 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 specified 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.

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, actions taken to eliminate threats or safeguards applied.

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

25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Revenue	6	**212,262**	197,153
Other net income	11	**11,790**	2,091
Employee benefits expenses		**(58,303)**	(57,292)
Depreciation of property, plant and equipment and right-of-use assets		**(49,144)**	(40,156)
Sub-contracting expenses		**(40,510)**	(35,763)
Operating lease rentals in respect of rented premises		**(3,121)**	(10,478)
Operating lease rentals in respect of plant, machinery and equipment		**(994)**	(774)
Cost of sales recognised		**(30,842)**	(11,922)
Other expenses	10	**(16,185)**	(14,251)
Profit from operations		**24,953**	28,608
Share of losses of an associate		**(11)**	–
Finance costs	12	**(1,407)**	(2,340)
Profit before taxation		**23,535**	26,268
Income tax expense	9(a)	**(2,620)**	(3,753)
Profit for the year	12	**20,915**	22,515
Attributable to:			
Equity shareholders of the Company		**20,578**	22,515
Non-controlling interests		**337**	–
Profit for the year	12	**20,915**	22,515
Earnings per share (HK cents)	14		
Basic		**4.13**	4.61
Diluted		**4.10**	4.54

The notes on pages 38 to 83 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 13(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**8,340**	11,210
Right-of-use assets	16	**28,445**	64,382
Interest in an associate	18	**–**	175
Rental deposits	19	**1,090**	7,006
Deferred tax assets	21(b)	**1,739**	1,532
		39,614	84,305
Current assets			
Inventories – finished goods	20	**13,934**	6,518
Trade and other receivables and contract assets	22	**57,861**	65,759
Rental deposits	19	**6,653**	1,017
Tax recoverable	21(a)	**657**	–
Bank balances and cash	23	**61,976**	47,668
		141,081	120,962
Current liabilities			
Trade and other payables and accrued expenses	24	**15,272**	17,553
Tax payable	21(a)	**177**	2,674
Lease liabilities	28	**27,331**	39,789
Amounts due to non-controlling interests	29	**1,241**	–
Dividend payable		**12,452**	7,411
Bank borrowings	25	**4,500**	–
		60,973	67,427
Net current assets		**80,108**	53,535
Total assets less current liabilities		**119,722**	137,840
Non-current liabilities			
Provisions	27	**2,136**	1,423
Lease liabilities	28	**2,487**	27,287
		4,623	28,710
NET ASSETS		**115,099**	109,130
CAPITAL AND RESERVES			
Share capital	30	**4,981**	4,941
Reserves	31	**109,552**	104,189
Total equity attributable to equity shareholders of the Company		**114,533**	109,130
Non-controlling interests		**566**	–
TOTAL EQUITY		**115,099**	109,130

The consolidated financial statements on pages 34 to 83 were approved and authorised for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

Mr. Yeung Kwong Fat
Director

Mr. Lee Kam Hung
Director

The notes on pages 38 to 83 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019		4,800	49,350	10	2,940	31,860	88,960	–	88,960
Changes in equity for the year ended 31 December 2019:									
Profit and total comprehensive income for the year		–	–	–	–	22,515	22,515	–	22,515
Recognition of equity-settled share-based payment	34	–	–	–	1,061	–	1,061	–	1,061
Issue of ordinary shares in relation to award of new shares	30	40	3,897	–	(1,937)	–	2,000	–	2,000
Shares issued on acquisition of a subsidiary	30	101	6,744	–	–	–	6,845	–	6,845
Dividend approved in respect of previous year	13	–	–	–	–	(4,840)	(4,840)	–	(4,840)
Dividend declared in respect of the current year	13	–	–	–	–	(7,411)	(7,411)	–	(7,411)
At 31 December 2019 and 1 January 2020		4,941	59,991	10	2,064	42,124	109,130	–	109,130
Changes in equity for the year ended 31 December 2020:									
Profit and total comprehensive income for the year		–	–	–	–	20,578	20,578	337	20,915
Recognition of equity-settled share-based payment	34	–	–	–	258	–	258	–	258
Issue of ordinary shares in relation to award of new shares	30	40	3,326	–	(1,366)	–	2,000	–	2,000
Acquisition of a non-wholly owned subsidiary	35	–	–	–	–	–	–	229	229
Dividend approved in respect of previous year	13	–	–	–	–	(4,981)	(4,981)	–	(4,981)
Dividend declared in respect of the current year	13	–	–	–	–	(12,452)	(12,452)	–	(12,452)
At 31 December 2020		4,981	63,317	10	956	45,269	114,533	566	115,099

The notes on pages 38 to 83 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Operating activities			
Profit before taxation		**23,535**	26,268
Adjustments for:			
Gain on bargain purchase		**–**	(1,500)
Share of losses of an associate		**11**	–
Credit loss of trade receivables	12	**1,363**	–
Provision for inventories	12	**510**	22
COVID-19 rent concessions received	11	**(716)**	–
Depreciation of property, plant and equipment	12	**6,589**	5,447
Depreciation of right-of-use assets	12	**42,555**	34,709
Equity-settled share-based payment expenses	12	**258**	1,061
Interest income	11	**(153)**	(280)
Finance costs	12	**1,407**	2,340
Loss on disposal of property, plant and equipment	11	**–**	63
Operating cash flows before movements in working capital		**75,359**	68,130
Decrease/(increase) in rental deposits		**280**	(1,019)
(Increase)/decrease in inventories		**(7,926)**	1,803
Decrease/(increase) in trade and other receivables and contract assets		**6,535**	(14,427)
(Decrease)/increase in trade and other payables, accrued expenses and provisions		**(1,425)**	3,141
Net cash generated from operations		**72,823**	57,628
Hong Kong Profits Tax paid		**(5,981)**	–
Net cash generated from operating activities		**66,842**	57,628
Investing activities			
Cash acquired from acquisition of a subsidiary	35	**–**	1,459
Net withdrawal of short-term bank deposit with original maturity over three months		**–**	13,000
Payments for purchase of property, plant and equipment		**(3,719)**	(7,447)
Interest received		**153**	280
Net cash (used in)/generated from investing activities		**(3,566)**	7,292
Financing activities			
Proceeds from new bank borrowings	23(a)	**5,500**	–
Repayment of bank borrowings	23(a)	**(1,000)**	–
Interests paid on bank borrowings		**(29)**	–
Dividend paid to equity shareholders of the Company	13(b)	**(12,392)**	(14,440)
Capital element of lease rentals paid	23(a)	**(43,160)**	(35,393)
Interest element of lease rentals paid	23(a)	**(1,378)**	(2,340)
Increase in amounts due to non-controlling interests	23(a)	**1,491**	–
Proceeds from issue of new shares in relation to award of shares	30	**2,000**	2,000
Net cash used in financing activities		**(48,968)**	(50,173)
Net increase in cash and cash equivalents		**14,308**	14,747
Cash and cash equivalents at the beginning of the year		**47,668**	32,921
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**61,976**	47,668

The notes on pages 38 to 83 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 the 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, packing services and distribution business. Particulars of the subsidiaries are set out in note 17.

2 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments and a new standard, Hong Kong Financial Reporting Standard ("HKFRS") 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to Hong Kong Accounting Standard ("HKAS") 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 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 certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

Except for the amendments to HKFRS 16, *Lease, Covid-19-Related Rent Concessions*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the amended HKFRS 16 is discussed below:

Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 16). There is no impact on the opening balance of equity at 1 January 2020.

(d) Subsidiaries and non-controlling interests

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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(h)).

3 Significant accounting policies (continued)

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 3(h)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 3(j)).

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 3(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred except if related to the issue of equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3 Significant accounting policies (continued)

(g) Property, plant and equipment and right-of-use assets

Property, plant and equipment, including right-of-use assets arising from the lease of underlying plant and equipment (see note 3(r)) are stated at cost less accumulated depreciation and impairment losses (see note 3(h)):

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 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:

– Properties leased for own use	Over the period of lease term
– Plant and machinery	3 – 5 years
– Furniture and equipment	3 – 10 years
– Other equipment	3 – 5 years
– Leasehold improvements	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.

(h) 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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

3 Significant accounting policies (continued)

(h) Impairment of other non-current assets (continued)

– 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).

– 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, 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.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3 Significant accounting policies (continued)

(i) 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. Cost is determined using the first-in, first-out method. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) 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(t)).

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 and contract assets 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)

(j) Trade and other receivables (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.

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.

3 Significant accounting policies (continued)

(j) Trade and other receivables (continued)

Basis of calculation of interest income on credit-impaired financial assets (continued)

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 past due event;

– 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 3(j).

(l) Trade and other payables

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

(m) Employee benefits

(i) Share-based payments

The fair value of award shares ("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).

3 Significant accounting policies (continued)

(m) Employee benefits (continued)

(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.

(n) 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.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(o) 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.

3 Significant accounting policies (continued)

(o) Income tax (continued)

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.

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.

(p) 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.

3 Significant accounting policies (continued)

(p) Revenue and other income (continued)

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.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of past events; it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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.

(r) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

3 Significant accounting policies (continued)

(r) Leased assets (continued)

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3(g) and 3(h)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

(s) 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.

3 Significant accounting policies (continued)

(s) Segment reporting (continued)

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.

(t) Contract assets

A contract asset is recognised when the Group recognises revenue (see note 3(p)) 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(j) and are reclassified to receivables when the right to the consideration has become unconditional (see note 3(p)).

(u) 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.

(v) 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.

Key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

The Group performs regular review of the recoverability of receivables and makes loss allowance based on various factors including the aging 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.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost of completion and distribution costs. These estimates are based on the sales volume history, the ageing of inventories, the physical condition of the inventories and the subsequent selling prices of inventories after year-end date. Management reassesses the estimations at the end of each reporting period.

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 Group monitors capital on the basis of the adjusted net debt-to-equity ratio. 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 ratios as at 31 December 2020 and 2019 were as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Current liabilities	**60,973**	67,427
Non-current liabilities	**4,623**	28,710
Total debt	**65,596**	96,137
Less: dividend payable	**(12,452)**	(7,411)
Adjusted net debt	**53,144**	88,726
Total equity	**115,099**	109,130
Adjusted net debt-to-equity ratio	**46.2%**	81.3%

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

6 Revenue

	2020 **HK$'000**	2019 HK$'000
Warehousing services income	**88,539**	91,488
Transportation services income	**50,806**	46,108
Customisation services income	**23,073**	34,052
Value-added services income	**11,922**	11,993
Sale of goods	**37,922**	13,512
	212,262	197,153

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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$85,548,000 (2019: HK$56,067,000). 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 (2019: 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) distribution business. 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.

– Logistics solutions business: This segment provides warehousing, transportation and value-added services. Currently the activities in this regard are primarily carried out in Hong Kong.

– Customisation services: This segment provides tailor-made logistic services. Currently the activities in this regard are primarily carried out in Hong Kong.

– Distribution business: This segment provides wholesales and trading of goods. Currently the activities in this regard are primarily carried out in Hong Kong and Macau.

7 Segment information (continued)

(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 2020 and 2019 is set out below.

For the year ended 31 December 2020

	Logistics solutions business HK$'000	Customisation services HK$'000	Distribution business HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition						
Point in time	103,695	23,073	37,922	164,690	–	164,690
Overtime	47,572	–	–	47,572	–	47,572
Revenue						
Revenue from external customers	151,267	23,073	37,922	212,262	–	212,262
Inter-segment revenue	6,110	34	–	6,144	(6,144)	–
	157,377	23,107	37,922	218,406	(6,144)	212,262
Results						
Segment results	21,492	2,843	319			24,654
Unallocated corporate income						7
Unallocated corporate expenses						(1,126)
Profit before taxation						23,535

7 Segment information (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2019

	Logistics solutions business HK$'000	Customisation services HK$'000	Distribution business HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition						
Point in time	116,597	34,052	13,512	164,161	–	164,161
Overtime	32,992	–	–	32,992	–	32,992
Revenue						
Revenue from external customers	149,589	34,052	13,512	197,153	–	197,153
Inter-segment revenue	6,600	–	–	6,600	(6,600)	–
	156,189	34,052	13,512	203,753	(6,600)	197,153
Results						
Segment results	25,396	3,626	(1,161)			27,861
Unallocated corporate income						46
Unallocated corporate expenses						(1,639)
Profit before taxation						26,268

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3(s). 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.

7 Segment information (continued)

(b) Other segment information

For the year ended 31 December 2020

	Logistics solutions business HK$'000	Customisation services HK$'000	Distribution business HK$'000	Segment total HK$'000
Additions to property, plant and equipment	3,456	90	173	3,719
Additions to right-of-use assets	6,267	–	351	6,618
Depreciation of property, plant and equipment included in the measure of segment results	5,679	143	767	6,589
Depreciation of right-of-use assets included in the measure of segment results	41,580	–	975	42,555

For the year ended 31 December 2019

	Logistics solutions business HK$'000	Customisation services HK$'000	Distribution business HK$'000	Segment total HK$'000
Additions to property, plant and equipment	7,789	152	1,568	9,509
Additions to right-of-use assets	24,131	–	2,061	26,192
Loss on disposal of property, plant and equipment	63	–	–	63
Depreciation of property, plant and equipment included in the measure of segment results	5,007	125	315	5,447
Depreciation of right-of-use assets included in the measure of segment results	34,330	–	379	34,709

7 Segment information (continued)

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's plant, property and equipment, interest in an associate and right-of-use assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of plant, property and equipment and right-of-use assets, the location of the operation to which they are allocated, and the location of operation, in the case of interests in an associate.

	Revenue from external customers		**Specified non-current assets**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Hong Kong	**186,066**	183,646	**35,503**	72,832
Macau	**26,196**	13,507	**1,282**	2,935
	212,262	197,153	**36,785**	75,767

(d) Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A	**N/A***	24,367
Customer B	**67,116**	77,308
Customer C	**32,306**	38,489
Customer D	**28,367**	N/A*

* Revenue from these customers are accounted for less than 10% of the Group's revenue during the corresponding years.

Revenue from Customer A, B, C and D 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 2020

Name of director	Fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonuses 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)	348	2,088	–	244	77	2,757
Mr. Lee Kam Hung	348	2,088	–	244	77	2,757
Mr. Luk Yau Chi, Desmond	348	2,088	–	244	77	2,757
Independent non-executive directors (note iii)						
Mr. How Sze Ming	192	–	–	–	–	192
Mr. Jung Chi Pan, Peter	192	–	–	–	–	192
Mr. Mak Tung Sang	192	–	–	–	–	192
	1,620	6,264	–	732	231	8,847

For the year ended 31 December 2019

Name of director	Fee HK$'000	Salaries and other allowances HK$'000	Discretionary bonuses 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)	240	1,740	–	198	317	2,495
Mr. Lee Kam Hung	240	1,740	–	198	317	2,495
Mr. Luk Yau Chi, Desmond	240	1,740	–	198	317	2,495
Independent non-executive directors (note iii)						
Mr. How Sze Ming	180	–	–	–	2	182
Mr. Jung Chi Pan, Peter	180	–	–	–	2	182
Mr. Mak Tung Sang	180	–	–	–	2	182
	1,260	5,220	–	594	957	8,031

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(m)(i).

Details of these benefits in kind, including the principal terms and numbers of Award Shares granted, are disclosed under note 34.

(b) Employees' emoluments

The five highest paid individuals of the Group for the year include 3 (2019: 3) individuals who were appointed as directors of the Company. The emoluments of the remaining 2 (2019: 2) individuals for the years are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other allowances	**1,599**	1,560
Performance related incentive payments	**72**	95
Retirement benefit scheme contributions	**18**	36
Share-based payments	**6**	49
	1,695	1,740

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:

	2020 HK$'000	2019 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,818**	4,432
Under/(over)-provision in respect of prior years	**9**	(52)
	2,827	4,380
Deferred tax		
Origination of temporary differences (note 21(b))	**(207)**	(627)
	2,620	3,753

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019/20, subject to a maximum reduction of HK$20,000 for each business (2019: a maximum reduction of HK$20,000 was granted for the year of assessment 2018/19 and was taken into account in calculating the provision for 2019). A subsidiary of 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. No provision for tax (2019: nil) has been made for an overseas subsidiary as tax losses were incurred for the year.

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

	2020 HK$'000	2019 HK$'000
Profit before taxation	**23,535**	26,268
Notional tax on profit before taxation	**3,744**	4,222
Tax effect of expenses not deductible for tax purposes	**341**	263
Tax effect of income not taxable for tax purposes	**(1,522)**	(385)
Tax effect of unused tax losses not recognised	**68**	139
Under/(over)-provision in prior years	**9**	(52)
Others	**(20)**	(434)
Income tax expense for the year	**2,620**	3,753

10 Other expenses

	2020 HK$'000	2019 HK$'000
Auditor's remuneration		
– Audit service	**980**	1,040
– Non-audit services	**6**	6
Legal and professional fees	**1,060**	1,624
Credit loss of trade receivables	**1,363**	–
Transportation expense	**2,177**	2,073
Utilities	**1,714**	2,152
Repairs and maintenance expense	**1,215**	1,459
Warehouse expense	**1,762**	1,343
Packing materials	**1,124**	813
Insurance	**1,596**	1,113
Miscellaneous	**3,188**	2,628
	16,185	14,251

11 Other net income

	2020 HK$'000	2019 HK$'000
Interest income	**153**	280
Government grants (note)	**9,453**	–
Gain on bargain purchase	**–**	1,500
COVID-19-related rent concessions received	**716**	–
Rental income from motor vehicle	**150**	–
Loss on disposal of property, plant and equipment	**–**	(63)
Others	**1,318**	374
	11,790	2,091

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

12 Profit for the year

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Gain on bargain purchase	–	(1,500)
Employee benefits expenses		
– Wages, salaries and allowances	55,066	53,303
– Post-employment benefits	2,979	2,928
– Share based payments	258	1,061
Cost of inventories sold	30,332	11,900
Credit loss of trade receivables	1,363	–
Provision for inventories	510	22
Depreciation charge		
– Property, plant and equipment	6,589	5,447
– Right-of-use assets	42,555	34,709
Finance costs – bank borrowings	29	–
Finance costs – interest on lease liabilities	1,378	2,340

13 Dividend

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

	2020 HK$'000	2019 HK$'000
Final dividend proposed after the end of the reporting period of 1.0 HK cent per ordinary share (2019: 1.0 HK cent per ordinary share)	5,018	4,981
Special dividend declared of 2.5 HK cents per ordinary share (2019: 1.5 HK cents per ordinary share)	12,452	7,411
	17,470	12,392

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.

13 Dividend (continued)

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

	2020 HK$'000	2019 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 HK cent per ordinary share (2019: 1.0 HK cent per ordinary share)	4,981	4,840
Special dividend in respect of the previous financial year paid during the year, of 1.5 HK cents per ordinary share (2019: 2.0 HK cents per ordinary share)	7,411	9,600
	12,392	14,440

14 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$20,578,000 (2019: HK$22,515,000) and the weighted average of 497,859,000 ordinary shares (2019: 488,028,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 '000	2019 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	497,859	488,028

(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$20,578,000 (2019: HK$22,515,000) and the weighted average of number share of ordinary shares of 501,947,000 shares (2019: 496,247,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2020 '000	2019 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	497,859	488,028
Effect of deemed issue of ordinary shares under the Company's share award scheme for a subscription price of 50 HK cents per share	4,088	8,219
Weighted average number of ordinary shares used in calculating diluted earnings per share	501,947	496,247

15 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 2019	6,684	9,648	2,163	7,127	3,568	29,190
Acquisition of a subsidiary	–	171	635	605	151	1,562
Additions	1,436	–	1,363	4,121	1,027	7,947
Disposals	–	–	–	(86)	(363)	(449)
At 31 December 2019 and 1 January 2020	8,120	9,819	4,161	11,767	4,383	38,250
Additions	174	25	454	45	3,021	3,719
Disposals	–	–	–	–	(581)	(581)
At 31 December 2020	8,294	9,844	4,615	11,812	6,823	41,388
Depreciation						
At 1 January 2019	4,818	9,550	1,653	3,415	2,543	21,979
Provided for the year	1,162	101	649	3,069	466	5,447
Eliminated on disposals	–	–	–	(55)	(331)	(386)
At 31 December 2019 and 1 January 2020	5,980	9,651	2,302	6,429	2,678	27,040
Provided for the year	1,181	111	946	3,608	743	6,589
Eliminated on disposals	–	–	–	–	(581)	(581)
At 31 December 2020	7,161	9,762	3,248	10,037	2,840	33,048
Carrying values						
At 31 December 2020	1,133	82	1,367	1,775	3,983	8,340
At 31 December 2019	2,140	168	1,859	5,338	1,705	11,210

16 Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Properties leased for own use, carried at depreciated cost	**28,445**	64,382

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets:	**42,555**	34,709
Interest on lease liabilities	**1,378**	2,340
Expense relating to short-term leases	**4,024**	11,252
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**91**	–
COVID-19-related rent concessions received	**(716)**	–

During the year, additions to right-of-use assets were HK$6,618,000 (2019: HK$26,192,000). This amount is primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of the maturity analysis of lease liabilities are set out in note 28.

As disclosed in note 3(c), the Group has early adopted the Amendment to HKFRS 16, *Lease, Covid-19-Related Rent Concessions*, and applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year.

Properties leased for own use

The Group has obtained the right to use several industrial buildings as its warehouses and office premises through tenancy agreements, where its facilities are primarily located. The leases typically run for an initial period of 1 to 4 years.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Investment in subsidiaries

Name of subsidiaries	Place of incorporation and operations	Issued and fully paid ordinary share capital	Proportion of issued share capital owned by the Group		Principal activities
			2020	2019	
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
Forewide Companhia (Macau) Limitada	Macau	MOP25,000	**100%**	100%	Trading
Skya Link Limited ("Skya Link")	Hong Kong	HK$1,000	**51%**	35%	Trading

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

On 1 July 2020, the Group further acquired 16% of equity interest in Skya Link at a consideration of HK$75,000. This acquisition was classified as a business combination (see note 35).

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

18 Interest in an associate

The following list contains the particulars of an associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particular of issued and paid up capital	Percentage of ownership indirectly attributable to the Group		Principal activity
				2020	2019	
Skya Link Limited ("Skya Link")	Incorporated	Hong Kong	1,000 ordinary shares	–	35%	Trading

The Group acquired 35% equity interest in Skya Link at a consideration of HK$175,000 during the year ended 31 December 2019. The associate is accounted for using the equity method in the consolidated financial statements.

The associate is not individually material and its carrying amount in the consolidated financial statements is HK$175,000.

Upon the completion of the step acquisition on 1 July 2020, Skya Link became a 51% non-wholly owned subsidiary of the Group.

19 Rental deposits

The balances represent rental deposits placed by the Group in connection with its rented premises. An amount of HK$1,090,000 (2019: HK$7,006,000) will recover after one year from the end of the reporting period. Therefore, this balance is classified as non-current. All of the other rental deposits are expected to be recovered within one year.

20 Inventories

	2020 HK$'000	2019 HK$'000
Finished goods	**14,941**	7,015
Less: provision on inventories	**(1,007)**	(497)
	13,934	6,518

21 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2020 HK$'000	2019 HK$'000
Provision for Hong Kong Profits tax for the year	**2,818**	4,432
Provisional Profits Tax paid	**(3,298)**	–
	(480)	4,432
Balance of Profits Tax recoverable relating to prior year	**–**	(1,758)
Tax (recoverable)/payable	**(480)**	2,674
Representing:		
Tax recoverable	**(657)**	–
Tax payable	**177**	2,674
	(480)	2,674

(b) 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$'000	Depreciation of right-of-use assets HK$'000	Credit loss allowance HK$'000	Inventory provision HK$'000	Total HK$'000
At 1 January 2019	905	–	–	–	905
Credited to profit or loss	193	434	–	–	627
At 31 December 2019 and 1 January 2020	1,098	434	–	–	1,532
Credited/(charged) to profit or loss	400	(434)	184	57	207
At 31 December 2020	1,498	–	184	57	1,739

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses for an overseas subsidiary of HK$3,649,000 (2019: HK$4,473,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction. The tax losses will be expired within 1 to 3 years under current tax legislation.

22 Trade and other receivables and contract assets

	2020 HK$'000	2019 HK$'000
Trade receivables, net of loss allowance	**53,719**	63,261
Prepayments	**1,141**	1,248
Contract assets (note 26)	**1,305**	308
Deposits and other receivables	**1,696**	942
	57,861	65,759

The Group allows a credit period ranging from 0 day to 120 days (2019: 0 day to 120 days) to its customers.

The following is an ageing analysis of trade receivables presented based on the invoice dates and net of loss allowance at the end of the reporting period.

	2020 HK$'000	2019 HK$'000
0 – 30 days	**20,989**	20,195
31 – 60 days	**15,256**	22,625
61 – 90 days	**13,257**	14,036
Over 90 days	**4,217**	6,405
	53,719	63,261

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 32(b).

23 Bank balances and cash and short-term bank deposit with original maturity within/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 original maturity of three months or less. As at 31 December 2020, there is no short-term bank deposit with original maturity within three months.

Short-term bank deposit with original maturity within three months as at 31 December 2019 carried interest ranging from 1.64% to 2.60% per annum.

(a) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	Amounts due to non-controlling interests HK$'000 (Note 29)	**Bank borrowings** HK$'000 (Note 25)	**Lease liabilities** HK$'000 (Note 28)
At 1 January 2019	–	–	76,219
Changes from financing cash flows:			
Capital element of lease rentals paid	–	–	(35,393)
Interest element of lease rentals paid	–	–	(2,340)
Total changes from financing cash flows	–	–	(37,733)
Other changes:			
Addition through acquisition of a subsidiary	–	–	2,119
Increase in lease liabilities from entering into new leases during the year	–	–	24,131
Interest expenses	–	–	2,340
Total other changes	–	–	28,590

23 Bank balances and cash and short-term bank deposit with original maturity within/over three months (continued)

(a) Reconciliation of liabilities arising from financing activities: (continued)

	Amounts due to non-controlling interests HK$'000 (Note 29)	Bank borrowings HK$'000 (Note 25)	Lease liabilities HK$'000 (Note 28)
At 31 December 2019 and 1 January 2020	–	–	67,076
Changes from financing cash flows:			
Increase in amounts due to non-controlling interests	1,491	–	–
Proceeds from new bank borrowings	–	5,500	–
Repayment of bank borrowings	–	(1,000)	–
Capital element of lease rentals paid	–	–	(43,160)
Interest element of lease rentals paid	–	–	(1,378)
Total changes from financing cash flows	1,491	4,500	(44,538)
Other changes:			
Increase in amount due from non-controlling interests through acquisition of a subsidiary	(250)	–	–
Increase in lease liabilities from entering into new leases during the year	–	–	6,618
COVID-19-related rent concessions	–	–	(716)
Interest expenses	–	–	1,378
Total other changes	(250)	–	7,280
At 31 December 2020	1,241	4,500	29,818

(b) Total cash outflow for leases

Amounts included in the statement of cash flows for lease rental payments comprise the following:

	2020 HK$'000	2019 HK$'000
Within operating cash flows	**4,115**	11,252
Within financing cash flows	**44,538**	37,733
	48,653	48,985

24 Trade and other payables and accrued expenses

	2020 HK$'000	2019 HK$'000
Trade payables	5,706	9,060
Accrued employees' benefits	4,091	4,456
Provision for long service payments (note 27)	–	202
Accrued expenses	3,045	2,582
Other payables	2,430	1,253
	15,272	17,553

All of the trade and other payables and accrued expenses are expected to be settled within one year or are payable on demand. As at 31 December 2020, the ageing analysis of trade payables based on invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	5,538	7,047
31 – 60 days	46	1,560
61 – 90 days	11	41
Over 90 days	111	412
	5,706	9,060

25 Bank borrowings

At 31 December 2020, the bank borrowings were repayable as follows:

	2020 HK$'000
Within 1 year or on demand - unsecured	4,500

As at 31 December 2020, all the bank borrowings were co-guaranteed by the Company and non-controlling interests of a subsidiary. None of the banking facilities as at 31 December 2020 are subject to the fulfilment of covenants.

26 Contract assets

	2020 HK$'000	2019 HK$'000
Arising from performance under service contracts	1,305	308

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

The contract assets primarily relate to the Group's right to consideration for services performed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

27 Provisions

	2020 HK$'000	2019 HK$'000
Analysed for reporting purposes as:		
Non-current liabilities	**2,136**	1,423
Current liabilities	**–**	202
	2,136	1,625

	Long service payments HK$'000	Reinstatement works HK$'000	Total HK$'000
At 1 January 2019	662	248	910
Provision for the year	464	251	715
At 31 December 2019 and 1 January 2020	1,126	499	1,625
Provision for the year	511	–	511
At 31 December 2020	1,637	499	2,136

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.

28 Lease liabilities

At 31 December 2020 and 2019, the lease liabilities were repayable as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year or on demand	**27,331**	39,789
After 1 year but within 2 years	**2,487**	24,923
After 2 years but within 5 years	**–**	2,364
	2,487	27,287
	29,818	67,076

29 Amounts due to non-controlling interests

At 31 December 2020, amounts due to non-controlling interests were unsecured, interest-free and repayable on demand.

30 Share capital

	Number of shares '000	Amount HK$'000
Authorised		
At 1 January 2019, 31 December 2019 and 31 December 2020 of 1.0 HK cent	10,000,000	100,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 January 2019	480,000	4,800
Shares issued under share award scheme	4,000	40
Shares issued on acquisition of a subsidiary	10,067	101
At 31 December 2019 and 1 January 2020	494,067	4,941
Shares issued under share award scheme	4,000	40
At 31 December 2020	498,067	4,981

	HK$'000
Shown in the consolidated statement of financial position	4,981

On 21 January 2019, the Group issued the first tranche of 4,000,000 Award Shares under the share award scheme at a subscription price of 50 HK cents per share with total consideration of HK$2,000,000. HK$40,000 and HK$3,897,000 were recorded in share capital and share premium respectively.

On 31 May 2019, the Group entered into an agreement purchase of the entire share capital of Forewide Companhia (Macau) Limitada. On 31 July 2019, the Group allotted and issued 10,067,114 consideration shares at 68 HK cents per shares with total consideration of HK$6,845,000 and completed the acquisition. HK$101,000 and HK$6,744,000 were recorded in share capital and share premium respectively.

On 20 January 2020, the Group further issued the second tranche of 4,000,000 Award Shares under the share award scheme at a subscription price of 50 HK cents per share with total consideration of HK$2,000,000. HK$40,000 and HK$3,326,000 were recorded in share capital and share premium respectively.

31 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 37 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(m)(i).

32 Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, short-term bank deposit with original maturity within 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.

(a) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group at the end of the reporting period.

	2020		2019	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Lease liabilities	**2.6%**	**29,818**	2.6%	67,076
Bank borrowings	**2.4%**	**4,500**	–	–
Total borrowings		**34,318**		67,076

No sensitivity analysis is presented as the borrowings are fixed rate instruments and not measured at fair value in the financial statements.

32 Financial risk management objectives and policies (continued)

(b) 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 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 2020, the Group has concentration of credit risk as 32.0% (2019: 28.5%) 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 77.4% (2019: 84.5%) of the total trade receivables as at 31 December 2020.

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 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.

32 Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	2.0%	39,923	(798)
1-30 days past due	3.0%	12,373	(371)
31-60 days past due	5.0%	2,485	(124)
61-90 days past due	15.0%	129	(19)
More than 90 days past due	30.0%	172	(51)
		55,082	(1,363)

	2019		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	–	43,931	–
1-30 days past due	–	13,962	–
31-60 days past due	–	5,157	–
61-90 days past due	–	211	–
		63,261	–

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions under the impact of COVID-19 pandemic and the Group's view of economic conditions over the expected lives of the receivables.

The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are reasonable approximations of the loss rates for contract assets. The Group assesses the ECLs for contract assets are insignificant and no loss allowance has been recognised.

32 Financial risk management objectives and policies (continued)

(c) Liquidity risk

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

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

For the year ended 31 December 2020

	Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount at 31 December HK$'000
Trade and other payables and accrued expenses	15,272	–	–	15,272	15,272
Bank borrowings	4,519	–	–	4,519	4,500
Amounts due to non-controlling interests	1,241	–	–	1,241	1,241
Lease liabilities	27,663	2,504	–	30,167	29,818
	48,695	2,504	–	51,199	50,831

For the year ended 31 December 2019

	Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount at 31 December HK$'000
Trade and other payables and accrued expenses	17,553	–	–	17,553	17,553
Lease liabilities	41,011	25,246	2,380	68,637	67,076
	58,564	25,246	2,380	86,190	84,629

(d) 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

33 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$2,434,000 (2019: HK$2,431,000).

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 27.

34 Equity-settled share-based transactions

On 19 January 2018 ("Award Date"), 12,000,000 Award Shares were granted to 13 selected individuals at the Subscription Price of 50 HK cents per Award Share, (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 purpose of the Award Share 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 2019 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.

Movements in the number of Award Shares are as follows:

	Number of Award Shares granted but not yet vested
At 31 December 2018	12,000,000
Award shares issued on 21 January 2019 (note 30)	(4,000,000)
At 31 December 2019 and 1 January 2020	8,000,000
Award shares issued on 20 January 2020 (note 30)	(4,000,000)
Award shares forfeited during the year	(224,000)
At 31 December 2020	3,776,000

The total fair value of the Award Shares amounted to HK$4,332,000 on the Award Date. 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. The Group recognised share-based payment expenses of HK$258,000 (2019: HK$1,061,000) during the year ended 31 December 2020 with a corresponding increase in a capital reserve within equity.

35 Acquisition of a subsidiary

Business combinations

Step acquisition of Skya Link Limited

On 1 July 2020, the Group entered into a sale and purchase agreement with independent third party ("the Vendor"), pursuant to which the Group further purchased a 16% equity interest in Skya Link Limited ("the subsidiary") at a consideration of HK$75,000 (the "Step Acquisition"), The subsidiary is a company incorporated in Hong Kong and it is principally engaged in trading business.

Immediately before the Step Acquisition, the fair value of the existing shareholding was estimated by management at HK$164,000. Compared with their respective carrying amounts before valuation of HK$164,000, no fair value gain/loss was recognised.

Upon the completion of the Step Acquisition on 1 July 2020, the former 35% associate of the Group became 51% non-wholly owned subsidiary of the Group. The subsidiary contributed revenue of HK$11,185,000 to the Group and generated profit of HK$698,000 for the period from 1 July 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, the Group's revenue and profit for the year ended 31 December 2020 would have remained unchange and decreased by HK$21,000, respectively.

The fair values of assets acquired and liabilities assumed at the acquisition date were as follows:

	1 July 2020 HK$'000
Amounts due from immediate holding company	175
Amounts due from non-controlling interests	325
Accruals and other payables	(32)
Fair value of net assets acquired	468
Less: fair value of existing shareholding	(164)
Less: non-controlling interests	(229)
	75
Less: total consideration	(75)
	–
Cash and cash equivalents acquired	–

36 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".

37 Company-level statement of financial position

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investment in a subsidiary	**25,183**	25,183
Current assets		
Other receivables	**252**	266
Amount due from subsidiaries	**84,779**	84,524
Bank balances and cash	**14,756**	4,786
	99,787	89,576
Current liabilities		
Other payables and accrued expenses	**191**	503
Amount due to a subsidiary	**12,100**	9,600
Dividend payable	**12,452**	7,411
	24,743	17,514
Net current assets	**75,044**	72,062
Net assets	**100,227**	97,245
Capital and reserves		
Share capital	**4,981**	4,941
Reserves (Note)	**95,246**	92,304
	100,227	97,245

The Company's statement of financial position was approved and authorised for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

Mr. Yeung Kwong Fat
Director

Mr. Lee Kam Hung
Director

37 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 2019	49,350	25,183	2,940	2,557	80,030
Profit and total comprehensive income for the year	–	–	–	14,760	14,760
Recognition of equity-settled share-based payment expense	–	–	1,061	–	1,061
Issue of ordinary shares in relation to award of new shares	3,897	–	(1,937)	–	1,960
Shares issued on acquisition of a subsidiary	6,744	–	–	–	6,744
Dividend approved in respect of previous year	–	–	–	(4,840)	(4,840)
Dividend declared in respect of the current year	–	–	–	(7,411)	(7,411)
At 31 December 2019 and 1 January 2020	59,991	25,183	2,064	5,066	92,304
Profit and total comprehensive income for the year	–	–	–	18,157	18,157
Recognition of equity-settled share-based payment expense	–	–	258	–	258
Issue of ordinary shares in relation to award of new shares	3,326	–	(1,366)	–	1,960
Dividend approved in respect of previous year	–	–	–	(4,981)	(4,981)
Dividend declared in respect of the current year	–	–	–	(12,452)	(12,452)
At 31 December 2020	63,317	25,183	956	5,790	95,246

38 Non-adjusting events after the reporting period

On 19 January 2021, the Group has issued the third tranche of 3,776,000 Award Shares. Further details of the share-based payments are disclosed in note 3(m)(i).

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

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**212,262**	197,153	155,210	163,610	149,724
Profit before taxation	**23,535**	26,268	14,137	28,957	28,752
Income tax expense	**(2,620)**	(3,753)	(3,029)	(5,327)	(5,241)
Profit for the year attributable to:					
Equity shareholders of the Company	**20,578**	22,515	11,108	23,630	23,511
Non-controlling interests	**337**	–	–	–	–
Assets and Liabilities					
Total assets	**180,695**	205,267	110,832	119,508	96,433
Total liabilities	**(65,596)**	(96,137)	(18,552)	(10,076)	(10,631)
Net assets	**115,099**	109,130	92,280	109,432	85,802