

World-link LOGISTICS

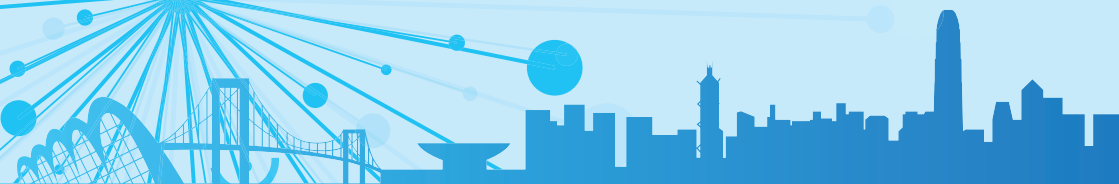
WORLD-LINK LOGISTICS (ASIA) HOLDING LIMITED

環宇物流(亞洲)控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8012

FIRST QUARTERLY REPORT 2017



Characteristics of The Growth Enterprise Market (The "GEM") of The Stock Exchange of Hong Kong Limited (The "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of World-Link Logistics (Asia) Holding Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors (the "Board") is pleased to announce that the unaudited financial results of the Group for the three months ended 31 March 2017, together with the comparative figures for the three months ended 31 March 2016. The financial information is approved by the Board.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	NOTES	Three months ended 31 March	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	39,033	33,226
Other income		144	181
Employee benefits expenses		(10,794)	(9,976)
Depreciation of property, plant and equipment		(408)	(588)
Operating lease rentals in respect of rented premises		(9,449)	(9,355)
Sub-contracting expenses		(7,073)	(5,075)
Operating lease rental in respect of plant, machinery and equipment		(409)	(425)
Interest on bank borrowings		–	(92)
Other expenses		(3,844)	(3,082)
Profit before taxation		7,200	4,814
Income tax expense	4	(1,364)	(856)
Total profit and other comprehensive income for the three months ended		5,836	3,958
Earnings per share (HK cents)	5	1.22	0.82

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	4,800	49,350	10	8,131	62,291
Profit and total comprehensive income for the period	–	–	–	3,958	3,958
At 31 March 2016 (unaudited)	4,800	49,350	10	12,089	66,249
At 1 January 2017 (audited)	4,800	49,350	10	31,642	85,802
Profit and other comprehensive income for the period	–	–	–	5,836	5,836
At 31 March 2017 (unaudited)	4,800	49,350	10	37,478	91,638

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

1. General information and basis of preparation

The Company is incorporated in the Cayman Islands as an exempted company with limited liability on 27 July 2015 and its shares are listed on the GEM Board of the Stock Exchange. The addresses of the registered office and the principal place of business of the Company are disclosed in the section “Corporate Information” in the annual report 2016.

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

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

2. Significant Accounting Policies

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

The accounting policies and method of computation used in the preparation of these results are consistent with those used in the annual financial results for the year ended 31 December 2016. The Group has adopted amendments to HKFRSs which are effective for accounting periods commencing on or after 1 January 2017. The adoption of such new or revised standards, amendments to standards and interpretations does not have materials impact on the consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

Notes to the Unaudited Consolidated Financial Statements

For the three months ended 31 March 2017

3. Revenue

	Three months ended 31 March	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Transportation services income	9,967	7,655
Warehousing services income	18,353	15,168
Customisation services income	8,515	8,476
Value-added services income	2,198	1,927
	39,033	33,226

4. Income Tax Expense

	Three months ended 31 March	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax – current period	1,323	869
Deferred taxation	41	(13)
	1,364	856

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Notes to the Unaudited Consolidated Financial Statements

For the three months ended 31 March 2017

5. Earnings Per Share

The calculation of the earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 31 March	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of earnings per share	5,836	3,958
Number of shares:	2017	2016
Weighted average number of ordinary shares for the purpose of earnings per share	480,000,000	480,000,000

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Being one of the well-established logistics service providers in Hong Kong, we have to maintain high standard services at all times. Most of the Group's customers are leading listed multinational companies and thus we customise our services to meet their unique needs. Notwithstanding demanding customisation, we have stringent quality control to ensure the best services for our customers. We never compromise quality and cost.

The Group's accomplishments are attributable to our customer-oriented culture. Our winning strategy is to build a strategic partnership with our customers by creating extra value in the entire supply chain. Our team members are willing to go the extra mile to fulfil our customers' individual needs. With our strong team, we are able to win the heart of our customers. Providing high standard of services to our customers means that we are simultaneously winning the heart of our end users as well.

Over the years, the Group has been working conscientiously to build a customer-oriented culture. Since our business is labour-intensive, the dedication of every staff is very important to our business. Our staff strives to keep up with the Group's motto – "always can do". Every one of us maintains professionalism and a customer-oriented mindset, while our team is flexible to cope with the fast changing market.

Our employees are the most valuable assets to the Group and our employees are a solid foundation to the Group. Despite the pressure of increased labour cost in 2017, we invested more resources in staff training to enhance our service quality. We always believe that our professional and stable team plays a pivotal role in the Group's success. We are proud of the loyalty of our staff.

The Group's core focus lies in our customers and our service quality. We always take one step ahead to understand the needs of our customers. We add value to our services by solving their daily operation difficulties. For instance, our Group provides delivery services on Sunday which is a newly-added services in response to the need of our existing customers. We are willing to go beyond the industry conventions to offer services on statutory holidays.

We also bring value to the total supply chain. Not only do we drive costs down, but also improve operation and tackle their daily operation issues, which in turn create value. Being highly flexible and responsive to our customers' needs is our strength to survive and thrive in the logistics industry.

Management Discussion and Analysis

Outlook

Notwithstanding previous and current challenges, we still believe that, with our team and core competence, we would excel in the future. In fact, the encouraging results in 2016 have given us great confidence in bringing more business breakthroughs in 2017.

We have strategically seized opportunities in the cold chain logistics services and expanded our service scope for existing customers. Given the expertise required, it is expected that managing cold chain logistics services will take the Company's business to new heights in the near future.

The Group have equipped with professional temperature-controlled refrigerator vehicles which are specialised for the transportation of frozen meat and red wine. As a trusted partner of a large food manufacturing, distribution and retailing customer, which currently operates a large number of chain stores, our cold chain logistics services is ready to thrive with our consistently high quality services.

Our expanded service scope goes hand in hand with our marketing strategies and IT system. In the past year, we revamped our Company's website, and published new brochures and advertisements in magazines and company vehicles. Our Enterprise Resource Planning ("ERP") system has been set up and constantly improved to keep up with the fast-changing logistics industry.

In 2017, the Company will continue to maintain its current business development strategy and the business segments will mostly remain the same in the future. Extra efforts will be put on expanding the fast moving consumer goods ("FMCG") sector to seize the opportunity in developing the cold chain logistics services and attracting new customers.

Financial Review

Revenue

The revenue of the Group increased by approximately 17.5% from approximately HK\$33.2 million for the three months ended 31 March 2016 to approximately HK\$39.0 million for the three months ended 31 March 2017. The increase in revenue was mainly attributable to the increase in revenue derived from the warehousing and transportation sectors during the three months ended 31 March 2017.

Revenue generated from transportation services increased by approximately 30.2% from approximately HK\$7.7 million for the three months ended 31 March 2016 to HK\$10.0 million for the three months ended 31 March 2017.

Management Discussion and Analysis

Revenue generated from warehousing services increased by approximately 21.0% from approximately HK\$15.2 million for the three months ended 31 March 2016 to HK\$18.4 million for the three months ended 31 March 2017.

Revenue generated from customisation services remained stable at approximately HK\$8.5 million for both periods.

Revenue generated from value added services increased by approximately 14.1% from approximately HK\$1.9 million for the three months ended 31 March 2016 to approximately HK\$2.2 million for the three months ended 31 March 2017.

Employee benefits expenses

Employee benefits expenses primarily consisted of wages and salaries, medical benefits, and other allowances and benefits. Our employee benefits expenses amounted to approximately HK\$10.8 million for the three months ended 31 March 2017 (for the three months ended 31 March 2016: approximately HK\$10.0 million). Our Group had a total of 273 and 312 full-time employees as at 31 March 2016 and 31 March 2017 respectively.

Other expenses

Other expenses mainly included other operating cost for warehousing and value-added services, electricity, repair and maintenance, consumables, entertainment, rates, office and store supplies expenses. For the three months ended 31 March 2016 and 2017, other expenses amounted to approximately HK\$3.1 million and HK\$3.8 million respectively.

Taxation

The taxation represented the provision of Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profits during the three months ended 31 March 2016 and 2017.

Profit and total comprehensive income for the three months ended 31 March 2017

Our Group recorded a net profit after taxation of approximately HK\$5.8 million for the three months ended 31 March 2017, representing an increment of approximately 47.4% compared to the three months ended 31 March 2016. The improvement of net profit after taxation was driven by (i) the growth of revenue; and (ii) a stringent control in operating expenses through streamlining and reengineering the operation flow of the Group.

OTHER INFORMATION

Interim Dividend

The Directors do not recommend an interim dividend for the three months ended 31 March 2017 (for the three months ended 31 March 2016: Nil).

Charge on the Group's Assets and Contingent Liabilities

As at 31 March 2017, the Group has no bank borrowings (31 December 2016: Nil). The Group has banking facility of HK\$15.0 million which was guaranteed by the Company (2016: HK\$15.0 million). The Group has no material contingent liabilities as at 31 March 2017.

Material Acquisitions and Disposal

During the three months ended 31 March 2017, the Group had no material acquisitions and disposals of subsidiaries.

Use of Proceeds

The Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited by way of placing (the "Placing") in 2015 (the "Listing").

The net proceeds from the Placing were approximately HK\$41.5 million, which was based on the final placing price of HK\$0.5 per Ordinary Share and the actual expenses of the Listing.

The actual use of proceeds since the Listing are as follows:

	Planned use of proceeds stated in the Prospectus since the Listing to 31 December 2017 HK\$'million	Actual use of proceeds since the Listing HK\$'million
Expanding the scope of services	19.0	2.6
Strengthening information technology and systems	2.1	0.4
Enhancing sales and marketing effort	3.2	0.3
Attracting and retaining talented and experienced personnel	2.1	1.1
Repaying the bank loans	12.0	12.0
General working capital	3.1	2.4
	41.5	18.8

Other Information

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 31 March 2017, approximately HK\$18.8 million of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licensed banks in Hong Kong.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

Purchase, Sale Or Redemption Of The Company's Shares

During the three months ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares.

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 Rules 5.48 to 5.67 of the GEM 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 three months ended 31 March 2017.

Directors' and Chief Executives' Interests in Shares

As at 31 March 2017, the Directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Other Information

Interests in the Company

Name of Director	Capacity	Number of shares held			Percentage of Company's issued share capital
		Personal interests	Other interests	Total interests	
Mr. Yeung Kwong Fat (Note 1, 2)	Interest in a controlled corporation; interests held jointly with another person	-	349,264,000	349,264,000	72.76%
Mr. Lee Kam Hung (Note 1, 3)	Interest in a controlled corporation; interests held jointly with another person	-	349,264,000	349,264,000	72.76%
Mr. Luk Yau Chi, Desmond (Note 1, 4)	Interest in a controlled corporation; interests held jointly with another person	-	349,264,000	349,264,000	72.76%

Notes:

- On 24 August 2015, Mr. Yeung, Mr. Lee, and Mr. Luk entered into a confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of our Group. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of our Group, i.e. Best Matrix Global Limited (being wholly owned by Mr. Lee), Mr. Lee, Orange Blossom International Limited (being wholly owned by Mr. Yeung), Mr. Yeung, Leader Speed Limited (being wholly owned by Mr. Luk) and Mr. Luk, is deemed to be interested in 72.76% of the issued share capital of our Company.
- 349,264,000 Shares in which Mr. Yeung is interested consist of (i) 135,360,000 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) 4,320,000 Shares is directly held by Mr. Yeung; and (iii) 209,584,000 Shares in which Mr. Yeung is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee and Mr. Luk.
- 349,264,000 Shares in which Mr. Lee is interested consist of (i) 139,744,000 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; and (ii) 209,520,000 Shares in which Mr. Lee is deemed to be interested as a result of being a party acting-in-concert with Mr. Yeung and Mr. Luk.
- 349,264,000 Shares in which Mr. Luk is interested consist of (i) 69,840,000 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; and (ii) 279,424,000 Shares in which Mr. Luk is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee and Mr. Yeung.

Other Information

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 March 2017, 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 required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' Interests in Shares

As at 31 March 2017, the following persons (other than Directors or Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares/ underlying Shares held	Percentage of Company's issued share capital
Best Matrix Global Limited (Note 1)	Beneficial owner; interests held jointly with another person	349,264,000	72.76%
Leader Speed Limited (Note 1)	Beneficial owner; interests held jointly with another person	349,264,000	72.76%
Orange Blossom International Limited (Note 1)	Beneficial owner; interests held jointly with another person	349,264,000	72.76%
Ms. Law Wai Yee (Note 2)	Interest of spouse	349,264,000	72.76%
Ms. Chan Pik Shan (Note 3)	Interest of spouse	349,264,000	72.76%
Ms. Wong Soo Fung (Note 4)	Interest of spouse	349,264,000	72.76%

Other Information

Notes:

1. On 24 August 2015, Mr. Yeung, Mr. Lee, and Mr. Luk entered into a confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of our Group. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of our Group, i.e. Best Matrix Global Limited (being wholly owned by Mr. Lee), Mr. Lee, Orange Blossom International Limited (being wholly owned by Mr. Yeung), Mr. Yeung, Leader Speed Limited (being wholly owned by Mr. Luk) and Mr. Luk, is deemed to be interested in 72.76% of the issued share capital of our Company.
2. Ms. Law Wai Yee is the spouse of Mr. Yeung and is deemed, or taken to be, interested in Shares in which Mr. Yeung has interest under the SFO.
3. Ms. Chan Pik Shan is the spouse of Mr. Lee and is deemed, or taken to be, interested in Shares in which Mr. Lee has interest under the SFO.
4. Ms. Wong Soo Fung is the spouse of Mr. Luk and is deemed, or taken to be, interested in Shares in which Mr. Luk has interest under the SFO.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2017.

Arrangements to Purchase Shares or Debentures

At no time during the three months ended 31 March 2017 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.

Other Information

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 March 2017 or at any time during the three months ended 31 March 2017.

Competing Interest

For the three months ended 31 March 2017, the Directors were not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Corporate Governance

Except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices have complied with the CG Code. Details of the continuing evolution of our corporate governance practices for the three months ended 31 March 2017 are set out in the 2016 annual report. CG Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Yeung Kwong Fat is the Chairman and the Chief Executive Officer of our Company. In view of Mr. Yeung being one of the co-founders of our Group and has been operating and managing World-Link Roadway System Company Limited and World-Link Packing House Company Limited since 1994 and 2009 respectively, 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.

Other Information

Audit Committee

The board has established an audit committee (the "Audit Committee") on 16 December 2015, which operates under terms of reference approved by the Board. It is the Board's responsibility to ensure that an effective internal control and risk management framework exists within the entity. This includes internal controls 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 the responsibility for the initial establishment and the maintenance of a framework of internal controls and ethical standards for the Group's management to the Audit Committee. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. How Sze Ming, Mr. Mak Tung Sang and Mr. Jung Chi Pan, Peter. Mr. How Sze Ming is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited first quarterly results of the Group for the three months ended 31 March 2017.

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

Hong Kong, 11 May 2017

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