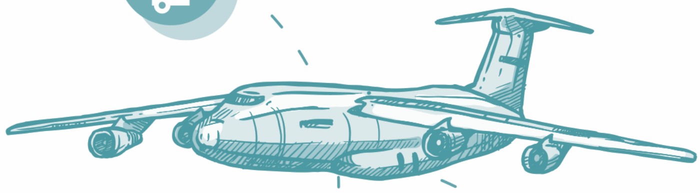
ON TIME LOGISTICS HOLDINGS LIMITED
先達國際物流控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 6123

2016
ANNUAL REPORT



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Lam Chun Chin, Spencer
(Chairman and Chief Executive Officer)
Mr. Hartmut Ludwig Haenisch
(Vice-chairman)
Ms. Cheung Ching Wa, Camy
Ms. Wong Pui Wah
Mr. Dennis Ronald de Wit

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ng Wai Hung
Mr. Poon Ka Lee, Barry
Mr. Wong See Ho

COMPANY SECRETARY
Ms. Wong Pui Wah,
HKICPA (non-practising), FCCA

AUTHORISED REPRESENTATIVES
(for the purpose of the Listing Rules)
Mr. Lam Chun Chin, Spencer
Ms. Wong Pui Wah

AUTHORISED REPRESENTATIVE
(for the purpose of the Companies Ordinance)
Ms. Wong Pui Wah

AUDIT COMMITTEE
Mr. Wong See Ho *(Chairman)*
Mr. Ng Wai Hung
Mr. Poon Ka Lee, Barry

REMUNERATION COMMITTEE
Mr. Poon Ka Lee, Barry *(Chairman)*
Mr. Ng Wai Hung
Mr. Lam Chun Chin, Spencer

NOMINATION COMMITTEE
Mr. Lam Chun Chin, Spencer *(Chairman)*
Mr. Ng Wai Hung
Mr. Poon Ka Lee, Barry

CORPORATE GOVERNANCE COMMITTEE
Ms. Wong Pui Wah *(Chairlady)*
Mr. Ng Wai Hung
Mr. Poon Ka Lee, Barry

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COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW
Chiu & Partners

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PRINCIPAL BANKER
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Hong Kong

AUDITOR
Deloitte Touche Tohmatsu

COMPANY'S WEBSITE
www.ontime-express.com

STOCK CODE
6123

CHAIRMAN'S STATEMENT

The year of 2016 was an exciting year for the Group.

Looking back on the year, the Group did not profit as much as expected. The Group recorded a significant decrease in net profit for the year as compared to 2015. This could be mainly attributed to the fact that we had to maintain our competitiveness in the stagnant market during the first three quarters and to collaborate with our loyal customers in tackling the sudden shocking soar in freight prices in the last quarter.

Most of the freight forwarders in Asia encountered some unexpected headwinds during the year 2016. The slowdown of export from the PRC, the modest growth pace in European economy, and the uncertainty ahead of the presidential election in the USA had all led to a drop of demand in the consumer market. As a result of the dropping demand, there was an excess in the supply of air and sea cargo space from actual demand which caused fierce price competition. One of the world's top ten shipping companies bankrupted in August 2016 which caused a decrease in supply of sea cargo space. The consequential demand for air transportation then pushed up the freight prices in the last quarter of 2016.

Notwithstanding the impact of traditional freight forwarding, we followed our direction in developing cross-border e-commerce transportation, as highlighted in our 2015 annual report. We streamlined our services and built vertical product lines, which empowered us to explore more business opportunities. The resulting synergies between our cross-border e-commerce transportation and our freight forwarding business were encouraging, with the Group benefiting from better bargaining power with vendors, prospect of broadening partnership network, and increased exposure to a wide range of business opportunities. We ride the waves of e-commerce by providing small parcel transportation service. Meanwhile, we continue to explore new markets and opportunities for our e-commerce transportation service. We are confident that, by diversifying our business, we are on the right track of innovating for the future.

LOOKING TO THE FUTURE

In light of the tremendous economic and political uncertainties arising from Brexit and the increasing likelihood of the USA new president in adopting trade protectionism, we expect an exceptionally challenging year ahead. Despite unprecedented risks, we see great opportunities. Our global presence affords us flexibility in adjusting both our overall strategy and our business focus between regions in accordance with the prevailing market conditions. With this being one of our proudest competitive advantages in the industry, we are optimistic in the development of our freight forwarding and cross-border small parcel businesses. To collaborate with our customers, in particular with a view to ensuring that our customers themselves staying competitive, we operate with increased efficiency and reduced costs. Given the vigorous competition in the foreseeable future, we pledge to continue investing in the use of technology in our business and product development in our pursuit of excellence.

THANK YOU

Taking this opportunity, I would like to express my gratitude and appreciation to my fellow Directors on the Board, our senior executives and partners. Last but not least, I am truly grateful for the valuable support and contribution from all our employees over the past year.

Lam Chun Chin, Spencer
Chairman & Chief Executive Officer

Hong Kong, 30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board announces the audited annual results of the Group for the FY2016. During the FY2016, the demand for air freight, ocean freight and logistics and freight forwarding services decreased with the slowdown of export from the PRC and weakening of the global economy. The Group has caught the boom of the e-commerce business and gained the market share of the consolidation delivery of the small parcels through air freight business. However, such increment was only able to compensate part of the loss on demand for traditional forwarding business.

Financial Results

The Group recorded revenue of about HK$2,867.3 million during the FY2016 (FY2015: about HK$3,223.6 million), representing a drop of about 11.1%. Gross profit amounted to about HK$492.0 million during the FY2016 (FY2015: about HK$520.7 million), representing a slight decrease of about 5.5%. Gross profit margin during the FY2016 was about 17.2% (FY2015: about 16.2%). Net profit was about HK$6.3 million during the FY2016 (FY2015: about HK$52.4 million), representing a decrease of about 88.0% while the net profit attributable to owners of the Company dropped by about 90.0% to about HK$5.0 million during the FY2016 (FY2015: about HK$49.9 million). The decrease in net profit during the FY2016 was mainly due to the excess supply in air and sea cargo space which led to aggressive competition in pricing within the industry, the increment in staff costs and rental expenses due to the expansion of the sales team and ancillary and contract logistics services business, the net loss of e-commerce companies of which certain companies were already disposed by the Group, the severance package paid to the stations managers who left the Group, and the increment in provision of legal and professional fees.

Segmental Analysis

The Group's core businesses are air and ocean freight forwarding, complemented by the ancillary and contract logistics services, which include warehousing, distribution and customs clearance, and the general sales agency ("GSA") business and the other businesses, which include trucking, combine shipment, hand-carry services and e-commerce business. The comprehensive range of services offered by the Group enables the Group to meet diverse customers' needs and provide cross-selling opportunities.

Air Freight

As the small parcels business was part of the air freight business, this slightly enhanced the performance of the air freight business. The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 65.2% of the Group's total revenue during the FY2016 (FY2015: about 67.4%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including honours from the World Cargo Alliance, and "Top Agent Award" from Cathay Pacific Cargo/Cathay Dragon each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commence business and among others.

Leveraging its strong relationship with customers, during the FY2015 and the FY2016, the Group has entered into a subcontracting agreement with Posti Ltd, a logistics services agreement with Zhejiang Cainiao Supply Chain Management Co. Limited, and agreements with several post offices, respectively, which contributed to a substantial increase in shipment volume during the FY2016 and compensated parts of the drop of the demand for the traditional forwarding business during the FY2016. Together with strong links with major airlines, the air freight business recorded revenue of about HK$1,869.0 million during the FY2016 (FY2015: about HK$2,171.1 million), representing a decrease of about 13.9%. Gross profit of the segment also dropped from about HK$286.8 million in the FY2015 to about HK$242.7 million during the FY2016, representing a decrease of about 15.4%. In respect of air import and export tonnage, the Group noted a total increase of tonnage of about 18.0% for the FY2016 when compared to the FY2015. During the FY2016, the Group closed down an office which had been in deficit and 51 offices around the world remained as at 31 December 2016, out of which 43 offices are located in 13 Asian countries and territories, comprising Hong Kong, the PRC, Cambodia, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, the United Arab Emirates and Vietnam, one office in Europe and seven offices in America.

BUSINESS REVIEW (CONTINUED)

Segmental Analysis (Continued)

Ocean Freight

Contributing about 29.1% of the Group's total revenue during the FY2016 (FY2015: about 27.8%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage service. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the FY2016, despite stiff headwinds experienced in the market and slower consumer demand for ocean freight, this segment still managed to achieve revenue with a slight drop of about 6.7% to about HK$835.1 million (FY2015: about HK$895.1 million). Owing to better cost control, gross profit increased to about HK$175.1 million during the FY2016 (FY2015: about HK$170.2 million), representing a slight increase of about 2.9%. The cost for ocean freight cargo space decreased significantly in Asia and the Middle East due to its excess supply, leading to a decrease of general rate. During the FY2016, the ocean freight shipping volume handled by the Group reached 115,783 twenty-foot equivalent unit (FY2015: 105,734 twenty-foot equivalent unit), representing an increase of about 9.5%.

GSA Business

The GSA business involves agreements entered into between the Group and regional airlines, whereby the Group subsequently acts as a wholesaler of the airlines' cargo space. The revenue of the GSA business increased to about HK$123,000 during the FY2016 (FY2015: about HK$11,000). Our revenue generated from GSA business recorded as net agency income, and therefore our gross profit margin of the GSA business maintained at 100% during the year.

Ancillary and Contract Logistics Services

Accounting for about 3.4% of the Group's total revenue during the FY2016 (FY2015: about 2.4%), the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the FY2016, the Group has adjusted its warehouse operation to cope with market conditions. Consequently, this business result was reflected with an achievement in revenue of about HK$97.8 million during the FY2016 (FY2015: about HK$75.8 million), representing an increase of about 29.0% and the gross profit was about HK$48.2 million during the FY2016 (FY2015: about HK$41.7 million), representing an increase of about 15.4%.

Others

The other businesses include trucking, combined shipments, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allows the Group to charge higher fees and consequently benefit from higher profits. During the FY2016, the other businesses recorded revenue of about HK$65.7 million (FY2015: about HK$81.6 million), representing a decrease of about 19.4%, and gross profit of about HK$25.9 million (FY2015: about HK$22.0 million), representing an increase of about 17.8%. The increase of gross profit for other businesses during the FY2016 was contributed mainly by the increase of trucking and hand-carry services.

BUSINESS REVIEW (CONTINUED)

Liquidity and Financial Resources

The Group has centralised financing policies and control over all its operations which enables the Group to have a tight control of treasury operations and lower average cost of funds.

The Group's working capital as at 31 December 2016 was about HK$369.7 million, representing a slight decrease of about 2.2% from about HK$378.1 million as at 31 December 2015. The current ratio of the Group decreased from about 2.01 times as at 31 December 2015 to about 1.80 times as at 31 December 2016.

As at 31 December 2016, the Group's bank balances and cash amounted to about HK$211.2 million, representing a decrease of about 12.8% from about HK$242.3 million as at 31 December 2015. For the FY2016, the Group had operating cash outflow of about HK$24.1 million (FY2015: operating cash inflow of about HK$102.6 million). As at 31 December 2016, the Group's outstanding bank borrowings amounted to about HK$145.4 million (as at 31 December 2015: about HK$98.6 million). The gearing ratio of the Group was about 31.4% as at 31 December 2016 (as at 31 December 2015: 20.7%). The gearing ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2016, the Group maintained a net cash position (as at 31 December 2015: net cash position). The Group will continue to secure financing as and when the need arises.

Foreign Exchange Risk

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, US$, RM, SGD, THB, INR, EUR, GBP, CAD, TWD, JPY, VND, IDR, KRW and AED among which, RMB, EUR and US$ are mostly used in the Group's business apart from HK$. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HK$ is pegged to US$. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the FY2015 and the FY2016. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the FY2016.

Capital Expenditure Commitments

The Group did not have any capital expenditure commitments as at 31 December 2016 (as at 31 December 2015: nil).

Charge on Assets

As at 31 December 2016, the Group had pledged the following assets to secure certain banking facilities representing guarantees on payment to certain airline suppliers of the Group for the Group's cargo space purchase and bank borrowings granted to the Group:

	2016 *HK$'000*	**2015** *HK$'000*
Trade receivables	119,615	57,919
Held for trading investments	995	929
Pledged bank deposits	10,747	11,976
	131,357	70,824

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries or associated companies during the FY2016.

PROSPECTS

Despite the economic slowdown in Europe and South America markets for the year, looking ahead, the global demand, led by the e-commerce business and the rebound of the USA and Europe business environment, for logistics and freight forwarding services is expected to remain healthy in the medium to long term.

Strengthen Global Presence and Expand Office Network

To capitalize on growing demand in future, the Group has employed an aggressive market expansion strategy in Asia and the Middle East. This allows the Group to specifically meet the increasing cross-border logistics service demand, and in turn capture greater market share and trade volume. In respect of market expansion in North America, this will be facilitated by generating greater network synergies through employing quality staff, enhancing the quality of services and product and seeking strategic acquisitions.

Enhance Core Businesses with Growth Potential

Apart from enhancing its market exposure, the Group will look to bolster its core businesses including air and ocean freight operations. The contract logistics services business will also be advanced by means of broadening its range of services including cross-border e-commerce, which will be supported by improved customer supply chain management and implementation of a comprehensive warehouse management system.

HUMAN RESOURCES

As at 31 December 2016, the Group employed about 1,100 employees (as at 31 December 2015: about 1,140 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. Training activities have also been conducted to improve the performance of sales and marketing activities and customer services.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the facility letter entered into by the Company on 29 August 2016 (the "Facility Letter"), a bank in Hong Kong has agreed to grant to On Time Express Limited ("OT HK"), an indirect wholly owned subsidiary of the Company, banking facilities in an aggregate sum of HK$125.2 million which shall be subject to renewal by 15 July 2018. The Facility Letter contains a condition which requires Mr. Lam Chun Chin, Spencer, one of the controlling Shareholders, to remain as the chairman of the Company and the largest single Shareholder with shareholding of no less than 40% in the Company. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in an aggregate sum of about HK$125.2 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As of the date of this report, OT HK is in compliance with the Facility Letter.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF DIRECTORS

Executive Directors

Mr. Lam Chun Chin, Spencer ("Mr. Lam"), aged 58, is an executive Director, the chairman of the Board, the chief executive officer of the Company, the chairman of the Nomination Committee and a member of the Remuneration Committee. He was appointed as a Director on 6 March 2013 and re-designated as an executive Director on 20 December 2013. Mr. Lam is the founder of the Group and he is responsible for overall strategic development, and leading the business development of the Group. Prior to the establishment of the Group in 1995, Mr. Lam had been an assistant route manager from May 1984 to December 1986 and was then promoted as route manager from January 1987 to June 1988, as assistant sales manager from July 1988 to December 1989, as sales manager from January 1990 to December 1990 and as an assistant general manager from January 1991 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. He was mainly responsible for the overall sales strategy as well as sales activities of Freight Express International Ltd. on the east and westbound sector for air freight, sea freight and sea-air traffic worldwide. He has over 33 years of experience in operation and management of freight forwarding and logistics industry. Mr. Lam obtained his diploma in management studies which was jointly awarded by Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) and The Hong Kong Management Association in September 1991. He is also a director of certain subsidiaries of the Company. Mr. Lam is the beneficial owner and the sole director of Golden Strike International Limited, one of the controlling Shareholders.

Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch"), aged 52, is an executive Director, the vice chairman of the Board and chief operating officer of the Company. Mr. Haenisch is responsible for overall sales and leading the business development of the Group and communication with key customers and suppliers. He joined the Group in January 1998 and worked as a director of international sales from January 1998 to February 1998. Mr. Haenisch has been the managing director of the Group since March 1998 and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, he had been a marketing executive from May 1994 to July 1995 and was later promoted as sales manager in charge of European traffic from August 1995 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. Mr. Haenisch was mainly responsible for the sales activities of Freight Express International Ltd. He has over 23 years of experience in sales and management of freight forwarding and logistics industry. Mr. Haenisch obtained a master's degree in business administration from University of Osnabrück of Germany in March 1992. He is also a director of certain subsidiaries of the Company. Mr. Haenisch is the beneficial owner and the sole director of Polaris International Holdings Limited, one of the controlling Shareholders.

Ms. Cheung Ching Wa, Camy ("Ms. Cheung"), aged 51, is an executive Director and chief administrative officer of the Company. She is responsible for overall administration and management and information technology development of the Group. Ms. Cheung joined the Group in November 1997 and worked as an executive secretary from December 1997 to December 2000. She has been the general manager of the Group since January 2001 and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, Ms. Cheung has acquired secretarial experiences by working in Nina Ricci (Far East) Ltd., which was then principally engaged in perfume trading, the Hongkong and Shanghai Banking Corporation Limited, Gemex Trading Limited, which was then principally engaged in trading, and Freight Express International Ltd., which was then principally engaged in freight forwarding service from June 1986 to November 1997. She has over 24 years of experience in administration and management of freight forwarding and logistics industry. She completed a course in office management for secretaries and administrative assistants from Centre for Professional and Continuing Education (currently known as College of Professional and Continuing Education) of The Hong Kong Polytechnic University in September 1997. Ms. Cheung graduated from the Bolton Institute of Higher Education (currently known as University of Bolton) of the United Kingdom with a bachelor's degree in business studies in June 2003. She is also a director of certain subsidiaries of the Company.

Ms. Wong Pui Wah ("Ms. Wong"), aged 42, is an executive Director, chief financial officer of the Company, the Company Secretary and the chairlady of the Corporate Governance Committee. She is responsible for overall financial and banking management and overall human resources and administrative management of the Group. Ms. Wong joined the Group in March 2006 and worked as an accounting manager. She became the financial controller of the Group since August 2006. She was appointed as an executive Director on 20 December 2013. Prior to joining the Group, Ms. Wong had acquired auditing and accounting experiences by working in various accountancy firms which include Frank Ho & Co., Y.L. Ngan & Company, C.W. Leung & Co. and RSM Nelson Wheeler (currently known as RSM Hong Kong) from June 1998 to March 2006. She has over 18 years of experience in auditing, accounting and financial management. Ms. Wong graduated from Lingnan College (currently known as Lingnan University) with a bachelor's degree in business administration in November 1998. She also obtained a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2010. She is a non-practising member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Wong is also a director of certain subsidiaries of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

BIOGRAPHIES OF DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Dennis Ronald de Wit ("Mr. D.R. de Wit"), aged 58, is an executive Director. He is responsible for overall sales, leading the business development of the Group and communication with key customers and suppliers in the Netherlands, central Europe and the USA. Mr. D.R. de Wit joined the Group in December 2011 as a result of the Group's acquisition of OTX Logistics B.V. and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, he had been a director from March 1984 to October 1986 of Allfreight International B.V., which was then principally engaged in freight forwarding services, and was mainly responsible for the overall management. Mr. D.R. de Wit managed Internationaal Expeditiebedrijf Ebrex Air B.V., which was then principally engaged in freight forwarding services, through his management company D.R. de Wit Beheer B.V. from December 1987 to June 1993. He has been a director of OTX Logistics B.V., an indirect non-wholly owned subsidiary of the Company, since May 1999. Mr. D.R. de Wit is also a director of certain subsidiaries of the Company.

Independent non-executive Directors

Mr. Ng Wai Hung ("Mr. Ng"), aged 53, is an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Ng is qualified as a solicitor in Hong Kong and he is currently a partner in Iu, Lai & Li Solicitors & Notaries. Mr. Ng has resigned as an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), a company listed on the Stock Exchange, with effect from 17 March 2017. Currently, Mr. Ng is acting as an independent non-executive director of the following companies listed on the Stock Exchange:

Name of listed company	Stock code
Fortune Sun (China) Holdings Limited	352
GOME Electrical Appliances Holding Limited	493
Kingbo Strike Limited	1421
Lajin Entertainment Network Group Limited	8172
Sustainable Forest Holdings Limited	723
Trigiant Group Limited	1300
Xinyi Automobile Glass Hong Kong Enterprises Limited	8328

Mr. Poon Ka Lee Barry ("Mr. Poon"), aged 57, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Poon obtained a professional diploma in accountancy from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983 and a master's degree in business administration from the University of Manchester of the United Kingdom in December 2002. He is currently a practising member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants. He has over 28 years of experience in audit, accounting and finance. Mr. Poon has resigned as an independent non-executive director of World-Link Logistics (Asia) Holding Limited (stock code: 8012), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 1 January 2017.

Mr. Wong See Ho, B.B.S. ("Mr. Wong"), aged 67, is an independent non-executive Director and the chairman of the Audit Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, qualified in July 1974 and has over 20 years of working experience in accounting with Cathay Pacific Airways Limited. He started his accounting career with Cathay Pacific Airways Limited, which is principally engaged in aviation services, in September 1968 and was promoted to become general manager of finance in January 1989 before he moved into general management work starting with Swire Air Catering Services Limited (now known as Cathay Pacific Catering Services (H.K.) Limited), which is principally engaged in airline catering, as its chief executive and general manager in December 1992 until March 1999. Mr. Wong was also a director of Vogue Laundry Service Limited, which is principally engaged in laundry and dry cleaning services, from March 1990 to December 1999, and was appointed as its chairman in November 1994. He was then appointed as managing director of Hong Kong Air Cargo Terminals Limited, an air cargo terminal operator at Hong Kong International Airport, in April 1999 and worked until August 2010, and was its senior advisor from September 2010 to May 2012. Mr. Wong has been elected a Chartered Fellow of The Chartered Institute of Logistics and Transport in Hong Kong in August 2011. Mr. Wong is presently a member of the Aviation Development and Three-runway System Advisory Committee appointed by The Government of the Hong Kong Special Administrative Region. Mr. Wong was awarded the Bronze Bauhinia Star by The Government of the Hong Kong Special Administrative Region in July 2011 in recognition of his dedication and valuable contribution to the development of the logistics industry in Hong Kong.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

BIOGRAPHIES OF SENIOR MANAGEMENT

Mr. Lau Wai Man ("Mr. Lau"), aged 45, is the air freight director of the Group. He has been with the Group since June 1998. Mr. Lau has been the Group's operations manager from June 1998 to December 2011, where he was responsible for operational matters, and he was promoted to the Group air freight director at the end of 2011. He obtained a certificate in air freight forwarding from the Vocational Training Council of Hong Kong in July 1992. He then completed a traineeship as an airfreight operations clerk in September 1993. Mr. Lau also obtained a professional diploma in inventory and logistics management from The Hong Kong Management Association in September 2002, a continuing education diploma in management studies from City University of Hong Kong in July 2010 and a bachelor's degree in logistics from University of Huddersfield of the United Kingdom in November 2012. He is a chartered member of The Chartered Institute of Logistics and Transport since June 2013.

Mr. Cheng Wai Kit, Matthew ("Mr. Cheng"), aged 46, is the corporate general manager of seafreight for the Group. He has been with the Group since April 2011. Mr. Cheng has over 22 years of experience in operation and management of freight forwarding and logistics industry. Mr. Cheng had obtained a diploma in business management from the School of Continuing Education of Hong Kong Baptist University in December 2001 and a bachelor's degree in logistics from the University of Huddersfield of the United Kingdom in June 2006. He has been elected as a full member of The Hong Kong Management Association in March 2007, a chartered member of The Chartered Institute of Logistics and Transport in June 2007, and he was elected as an executive committee member of the Hong Kong Sea Transport and Logistics Association since January 2009.

Mr. Louis Francois Frederic Malouvier ("Mr. Malouvier"), aged 38, is the regional director for South East Asia of the Group with effect from 1 January 2016. He was a trade lane manager for Mediterranean and African regions of the Group before his promotion. He has been with the Group since August 2010. Prior to joining the Group, he had been a sales representative from September 2003 to July 2006 in Derudder SA, a Le Havre French freight forwarder. Mr. Malouvier then worked at Bofill & Arnan S.A., which was then principally engaged in the provision of logistics services. He had been a headquarters representative in Seoul, Korea of Bofill & Arnan S.A. from September 2006 to January 2008, and was mainly responsible for coordination with headquarters and overseas network. He had been an operations and sales manager of Hong Kong office of Bofill & Arnan S.A. from February 2008 to July 2010 and he was mainly responsible for air and sea operations and sales covering agents and direct customers.

Mr. Martijn Joel Tenniglo ("Mr. Tenniglo"), aged 48, is the trade lane director of the Group. He is responsible for the overseas network of the Group, overseeing the development, sales and profitability of the sales with the international partners of the Group. He joined the Group in 2008 in a role as regional development manager firstly based in Hong Kong and then in Shanghai, and returned to Hong Kong to become the trade lane director on 1 January 2016. Previous to joining the Group, Mr. Tenniglo has been working in logistics industry for over 20 years and on three continents. He was the assistant export manager of American Overseas Air Freight, Inc. in Los Angeles from 1994 to 2000, a logistics consultant with LogiGo.com in the Netherlands from 2000 to 2001, the office manager of Racon Air B.V. in the Netherlands from 2001 to 2005 and sales manager at Unique Logistics B.V. in the Netherlands from 2005 to 2008. He was appointed as senior management and head of trade management of the Group on 1 October 2015.

Mr. Jinbo Chen, aged 48, is the regional director of China of the Group. Currently, he is stationed in Shanghai and responsible for all the China offices' operation and performance. He has over 25 years of experience in the forwarding industry. He graduated from Dalian Jiaotong University (formerly known as Dalian Railway Institute) in 1990. He started to work as an airfreight operation executive and acquired the customs license in 1992. In 1995, he was a sales manager in a forwarding company AMS Global Transportation Co., Ltd., which took care of renowned electronic customers. Those global accounts broadened his global view and offered him opportunities to work with overseas customers. Experienced in operation and sales and management, soon after he joined the Group in 2006, he was promoted as a manager of the Beijing office. His all-round logistics field experience and management skills help the Group to set up the offices in Northern and Western China successfully. He has been promoted as senior management and a regional director of China of the Group since 1 February 2016.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements for the FY2016.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 6 March 2013. The Shares were listed on 11 July 2014 on the Main Board of the Stock Exchange. The Company acts as an investment holding company. The activities of its principal subsidiaries are provision of freight forwarding services. The principal activities of the principal subsidiaries are set out in note 43 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

During the year, other than the Share Option Scheme, as set out in the section headed "Share Option Scheme" of this Directors' Report, the Company has not entered into any equity-linked agreement.

RESULTS AND DIVIDENDS

The results of the Group for the FY2016 are set out in the consolidated statement of profit or loss on page 39.

The Board did not recommend the payment of a final dividend in respect of the FY2016 (2015: HK1.3 cents per Share).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 111. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes particulars of important events affecting the Group during the year and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "MD&A" in this annual report. In addition, an analysis of the Group's performance using financial key performance indicators is included in the section headed "MD&A" in this annual report and a discussion of the principal risks and uncertainties facing by the Group is included in the section headed "MD&A" and notes 4, 6, 34 and 35 to the consolidated financial statements in this annual report. The review forms part of this Directors' Report.

Environment protection

The Group complies with environmental legislation, encourages environmental protection and promotes its awareness to all employees of the Group. The Group commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encouraging use of recycled paper for printing and copying, double-sided printing and copying, setting up recycling bins, reducing energy consumption by switching off idle lightings, air conditioning and electrical appliances. The Group will review its environmental practices from time to time and consider implementing further ecofriendly measures, sustainability targets and practices in the operation of the Group's businesses to embrace the principles of reducing, recycling and reuse, and further minimize the impact on the natural environment.

BUSINESS REVIEW (CONTINUED)

Relationships with key stakeholders

The Group's success also depends on the support from our key stakeholders which comprise employees, customers, vendors and Shareholders.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise high-performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by offering appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's principal customers are engaged in garment, footwear and electronic industries and delivery of small parcels for e-commerce business. The Group has the mission to provide excellent customer service in air freight and sea freight and all range of logistic services whilst maintaining long term profitability, business and asset growth. Various means have been taken to strengthen the communications between customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Vendors

Sound relationships with key service vendors of the Group are important in supply chain, airline company, shipping line company and business agents and when meeting business challenges and regulatory requirements, which can derive cost effectiveness and long term business benefits.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to Shareholders. The Group is committed to fostering business developments for achieving the sustainability of earnings growth and rewarding Shareholders by stable dividend payouts, taking into account of capital adequacy levels, liquidity positions and business expansion needs of the Group.

Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Board is aware, 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.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The increase in the fair value of the investment properties which has been charged to the consolidated statement of profit or loss and other comprehensive income for the FY2016 amounted to HK$123,000.

The decrease in the fair value of the property, plant and equipment which has been charged to the consolidated statement of profit or loss and other comprehensive income for the FY2016 amounted to HK$110,000.

Details of these and other movements in the investment properties and property, plant and equipment of the Group are set out in notes 15 and 16 to the consolidated financial statements, respectively.

DIRECTORS' REPORT (CONTINUED)

SHARE CAPITAL

Details of share capital are set out in note 32 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the FY2016, the Company repurchased on the Stock Exchange a total of 1,762,000 Shares at a total consideration of HK$2,019,280. Such Shares had been cancelled on 9 March 2016. Details of the share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
January 2016	1,762,000	1.18	1.08	2,019,280

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the FY2016. The purchase of the Shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per Share and earnings per Share.

RESERVES

Details of the movements in the reserves of the Group and the Company during the FY2016 are set out in the consolidated statement of changes in equity and note 42 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserve as at 31 December 2016 is set out in the consolidated statement of changes in equity.

DIRECTORS

The Directors during the FY2016 and up to the date of this report were:

Executive Directors:

Mr. Lam Chun Chin, Spencer, Chairman and Chief Executive Officer
Mr. Hartmut Ludwig Haenisch, Vice-chairman and Chief Operating Officer
Ms. Cheung Ching Wa, Camy, Chief Administrative Officer
Ms. Wong Pui Wah, Chief Financial Officer and Company Secretary
Mr. Dennis Ronald de Wit

Independent Non-executive Directors:

Mr. Ng Wai Hung
Mr. Poon Ka Lee, Barry
Mr. Wong See Ho

In accordance with the Articles, Mr. Lam Chun Chin, Spencer, Mr. Hartmut Ludwig Haenisch, and Mr. Ng Wai Hung will retire at the 2017 AGM and all of them, being eligible, offer themselves for re-election at the 2017 AGM.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

(A) Long position in ordinary shares of the Company or associated corporation

Name of Director	The company in which the interest is held	Capacity/ nature of interest	Number of shares involved	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	The Company	Interest of a controlled corporation *(Note 1)*	192,000,000	46.51%
		Beneficial owner	100,000	0.02%
		Total	192,100,000	46.53%
Mr. Hartmut Ludwig Haenisch	The Company	Interest of a controlled corporation *(Note 2)*	105,000,000	25.44%
Ms. Cheung Ching Wa, Camy	The Company	Interest of a controlled corporation *(Note 3)*	3,000,000	0.73%
		Beneficial owner	2,498,000	0.60%
		Total	5,498,000	1.33%
Mr. Dennis Ronald de Wit	OTX Logistics B.V. (associated corporation)	Interest of a controlled corporation *(Note 4)*	21,575	25%

Notes:

1. These Shares are held by Golden Strike International Limited ("Lam Investco"), which is wholly owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Lam Investco.

2. These Shares are held by Polaris International Holdings Limited ("Haenisch Investco"), which is wholly owned by Mr. Haenisch. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the Shares held by Haenisch Investco.

3. These Shares are held by Grand Splendour Holdings Limited (廣輝控股有限公司), which is wholly owned by Ms. Cheung. By virtue of the SFO, Ms. Cheung is deemed to be interested in the Shares held by Grand Splendour Holdings Limited.

4. These shares of OTX Logistics B.V. are held by T.Y.D. Holding B.V., which is owned as to 75% by Mr. D.R. de Wit. Mr. D.R. de Wit is a director of T.Y.D. Holding B.V. By virtue of the SFO, Mr. D.R. de Wit is deemed to be interested in the shares of OTX Logistics B.V. held by T.Y.D. Holding B.V..

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

(B) Long position in underlying Shares – physically settled unlisted equity derivatives

Name of Director	Capacity/ nature of interest	Number of underlying Shares in respect of the share options granted	Approximate percentage* of shareholding
Ms. Wong Pui Wah	Beneficial owner	598,000 *(Note)*	0.14%

Note: Details of the share options granted by the Company are set out in the section headed "Share Option Scheme" in this report.

* The percentage represents the number of shares/underlying shares involved divided by the number of the Company's/the relevant associated corporation's issued shares as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the FY2016.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 41 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the FY2016 or at any time during the FY2016.

PERMITTED INDEMNITY PROVISION

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the FY2016 and as at the date of approval of this Directors' Report, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he/she is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the FY2016, no claims were made against the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam, Mr. Haenisch, Ms. Cheung, Ms. Wong and Mr. D.R. de Wit, all being executive Directors, has entered into a service contract with the Company pursuant to which he/she agreed to act as the executive Director for an initial term of three years with effect from 21 June 2014, and will continue thereafter unless terminated pursuant to the service contract, or by giving not less than three months' written notice by either party expiring at the end of the initial term of his/her appointment or any time thereafter. Each of Mr. Ng, Mr. Poon and Mr. Wong, all being independent non-executive Directors, has been appointed for an initial term of two years with effect from 21 June 2014, which shall be renewed and extended automatically for successive terms of two years each commencing from the next day after the expiry of the then current term of appointment, unless terminated by either party by giving not less than three months' written notice expiring at the end of the initial term of his appointment or any time thereafter.

None of the Directors proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the then Shareholders on 21 June 2014 (the "Adoption Date"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the "General Scheme Limit"). As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 40,000,000 Shares, representing about 9.69% of the issued share capital of the Company. The Company may renew the General Scheme Limit with Shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

SHARE OPTION SCHEME (CONTINUED)

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of: (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

Details of movements of the share options granted under the Share Option Scheme for the FY2016 are as follows:

				Number of share options						
Name or category of grantees	Date of grant	Exercise period	Exercise price per Share	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2016	Closing price immediately before the date of grant
	(Note 1)		*HK$*							*HK$*
Director										
Ms. Wong Pui Wah	26 January 2015	26 January 2017 – 25 January 2019	1.65	598,000	–	–	–	–	598,000	1.65
Sub-total				**598,000**	**–**	**–**	**–**	**–**	**598,000**	
Employees	26 January 2015	26 January 2017 – 25 January 2019	1.65	2,284,000	–	–	(100,000)	–	2,184,000	1.65
Sub-total				**2,284,000**	**–**	**–**	**(100,000)**	**–**	**2,184,000**	
Total				**2,882,000**	**–**	**–**	**(100,000)**	**–**	**2,782,000**	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 36 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary Shares

Name of Shareholder	Capacity/nature of interest	Number of Shares involved	Percentage* of the Company's issued share capital
Lam Investco *(Note 1)*	Beneficial owner	192,000,000	46.51%
Ms. Li Wai Fun *(Note 1)*	Interest of spouse	192,100,000	46.53%
Haenisch Investco *(Note 2)*	Beneficial owner	105,000,000	25.44%
Ms. Haenisch Leung Man San *(Note 2)*	Interest of spouse	105,000,000	25.44%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	25,600,000 *(Notes 3 & 4)*	6.20%
Rays Capital Partners Limited	Investment manager	26,524,000 *(Notes 3 & 4)*	6.43%
Ruan David Ching-chi	Interest of controlled corporations	26,524,000 *(Notes 3 & 4)*	6.43%
Yip Yok Tak Amy	Interest of controlled corporations	26,524,000 *(Notes 3 & 4)*	6.43%

* The percentage represents the number of Shares involved divided by the number of the issued Shares as at 31 December 2016.

Notes:

1. Lam Investco is wholly owned by Mr. Lam and Mr. Lam is the sole director of Lam Investco. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Lam Investco as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Li Wai Fun is the spouse of Mr. Lam. Under the SFO, Ms. Li Wai Fun is taken to be interested in the same number of Shares in which Mr. Lam is interested.

2. Haenisch Investco is wholly owned by Mr. Haenisch and Mr. Haenisch is the sole director of Haenisch Investco. By virtue of the SFO, Mr Haenisch is deemed to be interested in the Shares held by Haenisch Investco as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Haenisch Leung Man San is the spouse of Mr. Haenisch. Under the SFO, Ms. Haenisch Leung Man San is taken to be interested in the same number of Shares in which Mr. Haenisch is interested.

3. The information disclosed is based on the disclosure of interests forms submitted by these substantial Shareholders respectively.

4. Ruan David Ching-chi and Yip Yok Tak Amy are deemed to be interested in the Shares through their controlled corporations, namely, Asian Equity Special Opportunities Portfolio Master Fund Limited and Rays Capital Partners Limited.

Save as disclosed above, as at 31 December 2016, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' REPORT (CONTINUED)

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 41 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions

During the FY2016, the Group has conducted the following continuing connected transactions which were required to be disclosed pursuant to Appendix 16 to the Listing Rules:

Management Agreement with an executive Director and his controlled company

On 21 June 2014, OTX Logistics B.V. ("OTX Logistics Holland"), an indirect non-wholly owned subsidiary of the Company and (i) D.R. de Wit Beheer B.V., a company wholly owned by Mr. D.R. de Wit, an executive Director; and (ii) Mr. D.R. de Wit, entered into a management agreement (the "Management Agreement") for the provision of management services for a term commencing on 21 June 2014 and expiring on 31 December 2016. Pursuant to the Management Agreement, D.R. de Wit Beheer B.V. has been appointed as the contractor for OTX Logistics Holland for the performance of activities of a director and such services shall be provided by Mr. D.R. de Wit. The Group shall pay Mr. D.R. de Wit a fee of EUR14,658 per month, a holiday allowance equivalent to 8% of his monthly fee and a guaranteed year-end bonus of an amount equivalent to his monthly fee. In addition, Mr. D.R. de Wit is entitled to a minimum of 5% of annual pre-tax profits of OTX Logistics Holland, Westpoort Recon B.V., OTX Logistics Rotterdam B.V., OTX Solutions B.V. and Fashion Care Logistics B.V. ("OTX Logistics Holland Group"). Mr. D.R. de Wit is also entitled to, among others, the usage of a company car, reimbursement of out-of-pocket expenses and claim expenses for his health-insurance policy and contribution to pension plan. For the FY2016, the total amount paid by the Group to Mr. D.R. de Wit under the Management Agreement was EUR275,000 (equivalent to about HK$2.4 million) (2015: EUR289,949 (equivalent to about HK$2.5 million)).

Master Agency Agreement with OTX Logistics Holland Group

OTX Logistics Holland, is owned as to 25% by T.Y.D. Holding B.V., which is controlled by Mr. D.R. de Wit. On 21 June 2014, On Time Worldwide Logistics Limited ("OT BVI") (for itself and on behalf of the Company's subsidiaries and associated companies excluding the OTX Logistics Holland Group ("OT BVI Members")), a direct wholly owned subsidiary of the Company, entered into a master agency agreement (the "Master Agency Agreement") with OTX Logistics Holland Group where OT BVI Members have agreed to appoint OTX Logistics Holland Group as their agents in the Netherlands and OTX Logistics Holland Group has agreed to appoint OT BVI Members as their agents for the rest of the world (other than the Netherlands), for the promotion of transportation and logistics business for a term commencing from 21 June 2014 and expiring on 31 December 2016. Pursuant to the Master Agency Agreement, OTX Logistics Holland Group and OT BVI Members agreed to share profits (or loss, if applicable) from operations attributable to the transactions under the Master Agency Agreement on the basis of a 50/50 split based on sums invoiced and received for each shipment after deduction of expenses including break bulk fees, delivery charges, free on board operations charges at the place of origin and customs clearance or brokerage charges at the place of destination.

As disclosed in the Prospectus, the annual cap of profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OT BVI Members to OTX Logistics Holland Group for the FY2016 is HK$5.7 million; and the annual cap of profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OTX Logistics Holland Group to OT BVI Members for FY2016 is HK$1.4 million. As disclosed in the Company's announcement dated 28 October 2015, the Company revised the annual cap of the profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OT BVI Members to OTX Logistics Holland Group to HK$11.9 million for the FY2016.

For the FY2016, the profits from operations attributable to the transactions under the Master Agency Agreement in the amount of HK$4.7 million was shared by OT BVI Members to OTX Logistics Holland Group and the profits from operations attributable to the transactions under the Master Agency Agreement in the amount of about HK$1.0 million was shared by OTX Logistics Holland Group to OT BVI Members.

The Company confirms that it has followed the policies and guidelines as set out in the Stock Exchange's Guidance Letter HKEx-GL73-14 when determining the price and terms of the Management Agreement and the Master Agency Agreement conducted during the FY2016.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempted continuing connected transactions

OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements

During the FY2016, the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements (as defined below) constitute non-exempted continuing connected transactions of the Company under the Listing Rules.

OT Thailand Contractual Arrangements

For reasons as disclosed in the section headed "History, Reorganisation and Corporate Structure – OT Thailand Contractual Arrangements" in the Prospectus, OT BVI entered into the following agreements (the "OT Thailand Contractual Arrangements") with Miss Ruchirek Pipatsriswat ("Miss Ruchirek") on 25 October 2013, who is a substantial shareholder holding 33.5% of shareholding interest in On-Time Worldwide Logistics Limited ("OT Thailand"):

(1) Loan assignment entered into between OT HK as assignor, OT BVI as assignee and Miss Ruchirek as borrower, whereby, the non-interest bearing loan for an aggregate principal amount of THB3,350,000 then owed by Miss Ruchirek to OT HK, was assigned to OT BVI and the loan shall be repayable on demand by OT BVI. The loan is conditional and secured by the pledge of shares in OT Thailand from time to time held by Miss Ruchirek under the share pledge agreement, and the arrangements under the proxy and the letter of undertakings.

(2) Share pledge agreement entered into between OT BVI as lender and Miss Ruchirek as borrower, whereby, Miss Ruchirek has pledged in favour of OT BVI, among others, her 33.5% of the total shareholding interest of OT Thailand, and all further shares and securities deriving from such pledged shares, or otherwise acquired and held by Miss Ruchirek from time to time.

(3) Letter of undertaking by Miss Ruchirek to OT BVI and OT Thailand, whereby, among others, she has irrevocably assigned and directed all dividends and distributions declared, paid and payable by OT Thailand and all distributions of assets and capital made and to be made by OT Thailand in relation to the shares of OT Thailand from time to time held by her to OT BVI (or such person as from time to time designated by it).

(4) Proxy by Miss Ruchirek to OT Thailand, whereby, Miss Ruchirek has irrevocably appointed OT BVI or any person nominated by it to act as Miss Ruchirek's proxy to attend, act and vote in respect of the shares in OT Thailand in her name and on her behalf at any general meeting of shareholders of OT Thailand.

OT Thailand contributed to about 1.4% of the Group's total revenue for the FY2016 (FY2015: 2.2%). Through the OT Thailand Contractual Arrangements, the financial results of OT Thailand were consolidated into the Group's financial statements as if it was the Company's subsidiary and, as a result, the Group bears 82.5% of the economic risks and losses of OT Thailand.

A dividend in an amount of THB12,000,000 ("OT Thailand Dividend") for the FY2016 was made by OT Thailand to its shareholders, in which 82.5% of the OT Thailand Dividend was paid to OT BVI.

OT Vietnam Contractual Arrangements

For reasons as disclosed in the section headed "History, Reorganisation and Corporate Structure – OT Vietnam Contractual Arrangements" in the Prospectus, OT HK entered into the following agreements (the "OT Vietnam Contractual Arrangements") with Dynamic Freight Co., Ltd. ("Vietnam Owner") on 6 November 2013, which is a substantial shareholder holding 49% of the total charter capital of On Time Worldwide Logistics (Vietnam) Co., Ltd. ("OT Vietnam"):

(1) Loan agreement entered into between OT HK as the lender and Vietnam Owner as the borrower, whereby, OT HK advanced to Vietnam Owner the interest bearing loan for a principal amount of US$4,900 and the loan shall be repayable on 22 December 2025 (or such later date as mutually agreed between the parties). The loan is conditional and secured by the mortgage of the charter capital in OT Vietnam from time to time owned by Vietnam Owner under the charter capital mortgage agreement, and the arrangements under the proxy and the letter of undertaking.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempted continuing connected transactions (Continued)

OT Vietnam Contractual Arrangements (Continued)

(2) Charter capital mortgage agreement entered into between OT HK as lender and Vietnam Owner as borrower, whereby, the Vietnam Owner has mortgaged in favour of OT HK, among others, all its 49% in the total charter capital of OT Vietnam, and all further charter capital and securities deriving from such mortgaged capital, or otherwise acquired and held by Vietnam Owner from time to time (whether by way of acquisition from the other shareholder(s) of OT Vietnam or by further contribution to the charter capital of OT Vietnam).

(3) Letter of undertaking by Vietnam Owner to OT HK, whereby, among others, it has irrevocably assigned and directed all dividends and distributions declared, paid and payable by OT Vietnam and all distributions of assets and capital made and to be made by OT Vietnam in relation to the shares of OT Vietnam from time to time held by it to OT HK (or such person as from time to time designated by it).

(4) Proxy dated 6 November 2013 by Vietnam Owner to OT Vietnam, whereby, Vietnam Owner has irrevocably appointed OT HK to nominate any person(s) designated by OT HK to act as the authorised representative(s) to participate in the board of directors of OT Vietnam and to act and exercise, on behalf of Vietnam Owner, all its power in respect of all the charter capital of OT Vietnam registered in its name.

OT Vietnam contributed to about 2.3% of the Group's total revenue for the FY2016 (FY2015: 3.1%). Through the operation of the OT Vietnam Contractual Arrangement, the financial results of OT Vietnam were consolidated into the Group's financial statements as if it was the Company's indirect wholly-owned subsidiary and, as a result, the Group bears 100% of the economic risks and losses of OT Vietnam.

A dividend in an amount of VND5,587,500,000 ("OT Vietnam Dividend") for the FY2016 was made by OT Vietnam to its shareholders, in which the entire OT Vietnam Dividend was paid to OT HK.

For risks associated with the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements" in the Prospectus for details. To mitigate such risks associated, the Group intends to unwind the OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements as soon as possible if and when the relevant laws in the respective jurisdictions allow the Group to operate in such jurisdictions without such arrangements.

The purpose of the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements is to provide the Group with effective control over the financial and operational policies of OT Thailand and OT Vietnam, to obtain the economic benefits from OT Thailand and OT Vietnam and acquire the equity interests in OT Thailand and OT Vietnam as and when permitted under the applicable laws in Thailand or Vietnam and to allow the Company to consolidate the financial results of OT Thailand and OT Vietnam into the Group's financial statements as if they were the Group's subsidiaries, and the economic benefit of their business flows to the Group.

Confirmation of auditor of the Company

Deloitte Touche Tohmatsu, the Company's auditor, were engaged to report on the Group's non-exempted continuing connected transactions in accordance with Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the Management Agreement, the Master Agency Agreement, the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements in respect of the FY2016 in accordance with Rule 14A.56 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Management Agreement and the Master Agency Agreement in respect of the FY2016 and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Furthermore, in relation to the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements in respect of the FY2016, the independent non-executive Directors have confirmed that the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements have remained unchanged and consistent with the disclosure as set out in the Prospectus; and both of the said arrangements are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and the transactions as disclosed in note 41 to the consolidated financial statements, no controlling Shareholder or any of its subsidiaries has any contract of significance with the Company or its subsidiaries during the FY2016.

MANAGEMENT CONTRACTS

Save as disclosed in the Prospectus and the section headed "Continuing connected transactions', no contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the FY2016.

DEED OF NON-COMPETITION

The Company has received the written confirmation from Mr. Lam, Mr. Haenisch, Lam Investco and Haenisch Investco (collectively, the "Controlling Shareholders") in respect of the compliance with the provisions of the deed of non-competition (the "Deed of Non-competition"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" of the Prospectus during the FY2016.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the FY2016.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares during the FY2016.

DIRECTORS' REPORT (CONTINUED)

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016. As at the date of this annual report, the Group was not involved in any current material legal proceeding, nor was the Group aware of any pending or potential material legal proceedings involving the Group. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

USE OF PROCEEDS

Since the publication of the Company's announcement on 30 October 2015 in relation to the change of use of net proceeds from the Company's initial public offering of about HK$58 million up to the date of this report, about HK$18 million has been used for expansion of office network of the Group in the PRC, about HK$1 million has been used for payment of professional fee on due diligence check of target company in Europe and about HK$2 million has been used for expansion of warehouse of the Group in Hong Kong. The remaining balance of the net proceeds is about HK$37 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2016, less than 30% of the Group's revenue and cost of sales were attributable to the Group's five largest customers and suppliers, respectively.

REMUNERATION POLICY

Remuneration policy of the Group is reviewed regularly and the remuneration policy and remuneration packages of the executive Directors and members of the senior management of the Group are recommended by the Remuneration Committee to the Board.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the current information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 June 2017 to Tuesday, 13 June 2017 (both days inclusive) for the purpose of determining the right to attend and vote at the 2017 AGM. In order to be qualified for attending and voting at the 2017 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, 7 June 2017.

DIRECTORS' REPORT (CONTINUED)

CHARITABLE CONTRIBUTIONS

During the FY2016, the Group made charitable contributions in an aggregate amount of about HK$141,000 (FY2015: about HK$80,000).

EVENTS AFTER THE REPORTING PERIOD

There are no events to cause material impact on the Group from the end of the FY2016 to the date of this report.

AUDITOR

A resolution will be submitted to the 2017 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Lam Chun Chin, Spencer
Chairman and Chief Executive Officer

Hong Kong, 30 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules on the Stock Exchange during the FY2016.

The Board considers that during the FY2016, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Executive Committee and senior management of the Company are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board during the FY2016 and up to the date of this report is as follows:

Executive Directors:

Mr. Lam Chun Chin, Spencer	*(Chairman of the Board, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Mr. Hartmut Ludwig Haenisch	*(Vice-chairman of the Board)*
Ms. Cheung Ching Wa, Camy	
Ms. Wong Pui Wah	*(Company Secretary and Chairlady of the Corporate Governance Committee)*
Mr. Dennis Ronald de Wit	

Independent Non-executive Directors:

Mr. Ng Wai Hung	*(Member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee)*
Mr. Poon Ka Lee, Barry	*(Chairman of the Remuneration Committee and Member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee)*
Mr. Wong See Ho	*(Chairman of the Audit Committee)*

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A2. Board Composition (Continued)

Throughout the FY2016, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his/her expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

To the best knowledge of the Directors, the Directors and senior management have no financial, business, family or other material/relevant relationships with one another.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

Mr. Lam Chun Chin, Spencer ("Mr. Lam") is currently acting as both the chairman of the Board and the chief executive officer of the Company. Taking into account Mr. Lam's strong expertise in the freight forwarding industry, the Board believes that the said two roles being performed by Mr. Lam enables more effective and efficient overall business planning, decision making and implementation thereof by the Group.

In order to maintain good corporate governance and fully comply with the code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the two roles separately.

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term. Each executive Director is engaged on a service contract for an initial term of 3 years, and will continue thereafter unless terminated pursuant to the service contract, or by giving not less than 3 months' written notice expiring at the end of the initial term of his/her appointment or any time thereafter to the other.

Each of the independent non-executive Directors is appointed for an initial term of 2 years, which shall be renewed and extended automatically for successive terms of 2 years upon expiry of the then current term unless terminated by either party by giving not less than 3 months' written notice expiring at the end of the initial term of his appointment or any time thereafter to the other.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A4. Appointment and Re-election of Directors (Continued)

According to the Articles, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the 2017 AGM, Mr. Lam Chun Chin, Spencer, Mr. Hartmut Ludwig Haenisch, and Mr. Ng Wai Hung shall retire by rotation pursuant to the Articles provisions stated in the foregoing paragraph. All of the above three retiring Directors, being eligible, will offer themselves for re-election at the 2017 AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this report, contains detailed information of these three Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

Each newly appointed Director shall receive formal induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the FY2016, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

	Type of training/education	
	Attending training on regulatory development, directors' duties or other relevant topics	**Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties**
Mr. Lam Chun Chin, Spencer	✓	✓
Mr. Hartmut Ludwig Haenisch	✓	✓
Ms. Cheung Ching Wa, Camy	✓	✓
Ms. Wong Pui Wah	✓	✓
Mr. Dennis Ronald de Wit	✓	✓
Mr. Ng Wai Hung	✓	✓
Mr. Poon Ka Lee, Barry	✓	✓
Mr. Wong See Ho	✓	✓

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the FY2016 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**Annual General Meeting**
Executive Directors:						
Mr. Lam Chun Chin, Spencer	4/4	N/A	1/1	1/1	N/A	1/1
Mr. Hartmut Ludwig Haenisch	4/4	N/A	N/A	N/A	N/A	0/1
Ms. Cheung Ching Wa, Camy	4/4	N/A	N/A	N/A	N/A	1/1
Ms. Wong Pui Wah	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Dennis Ronald de Wit	3/4	N/A	N/A	N/A	N/A	0/1
Independent Non-executive Directors:						
Mr. Ng Wai Hung	4/4	2/3	1/1	0/1	0/1	1/1
Mr. Poon Ka Lee, Barry	4/4	3/3	1/1	1/1	1/1	1/1
Mr. Wong See Ho	4/4	3/3	N/A	N/A	N/A	1/1

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the FY2016.

A7. Model Code for Securities Transactions

The Company has devised its own code of conduct regarding Directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the required standard as set out in the Model Code. Each Director has been given a copy of the Securities Dealing Code. Specific enquiry has been made of all Directors and they have confirmed their compliance with the Securities Dealing Code throughout the FY2016. In addition, no incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

B. BOARD COMMITTEES

The Board has established five Board committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website and the Company's website (except for the terms of reference of the Executive Committee which are available to Shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B1. Executive Committee

The Executive Committee comprises all the executive Directors with the chairman of the Board, Mr. Lam Chun Chin, Spencer, acting as the chairman. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. Remuneration Committee

The Remuneration Committee comprises a total of three members, being one executive Director and chairman of the Board, Mr. Lam Chun Chin, Spencer, and two independent non-executive Directors, Mr. Poon Ka Lee, Barry (chairman of the Committee) and Mr. Ng Wai Hung. Throughout the FY2016, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

During the FY2016, the Remuneration Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above), in which the Committee members have (i) reviewed the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management of the Company and made relevant recommendations to the Board; and (ii) ratified and confirmed the execution of supplemental agreement relating to the service agreement of Mr. Dennis Ronald de Wit.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the FY2016 is set out below:

Remuneration band (HK$)	Number of individuals
1,000,000-1,499,999	4
500,000-999,999	1
1-499,999	0

Details of the remuneration of each Director for the FY2016 are set out in note 12 to the financial statements contained in this report.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B3. Nomination Committee

The Nomination Committee comprises a total of three members, being the executive Director and chairman of the Board, Mr. Lam Chun Chin, Spencer (chairman of the Committee), and two independent non-executive Directors, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Throughout the FY2016, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by the Chairman of the Board.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company on 21 June 2014, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the FY2016, the Nomination Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above), in which the Committee members have (i) reviewed the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) recommended the re-appointment of the retiring Directors standing for re-election at the Company's AGM held on 13 June 2016; and (iii) assessed the independence of the existing independent non-executive Directors.

In addition, the Board has set the following measurable objectives implementing the Board diversity policy:

- At least 20% of the Board members to be aged below 60;
- At least 20% of the Board members to be non-Chinese;
- At least 30% of the Board members to possess professional qualifications in legal or accounting field; and
- At least 20% of the Board members to have business experience in areas other than logistics.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained during the FY2016. Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy for the FY2016.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B4. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the FY2016. The Audit Committee comprises a total of three members, being three independent non-executive Directors, Mr. Wong See Ho (chairman of the Committee), Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Both of Mr. Wong See Ho and Mr. Poon Ka Lee, Barry possess the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control and risk management systems and the effectiveness of the internal audit function.

During the FY2016, the Audit Committee has held three meetings (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

– Reviewed and discussed the annual financial statements, results announcement and annual report for the FY2015, the relevant audit findings of the Company's external auditor; and the recommendation of the re-appointment of the external auditor;

– Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2016 and the relevant review findings of the Company's external auditor;

– Reviewed the reports prepared by an external adviser on the Group's internal control matters, and reviewed the existing internal audit function of the Company;

– Reviewed the Group's continuing connected transactions for the FY2015 and the FY2016;

– Reviewed certain material litigation and possible related claims against the Group;

– Reviewed and approved the audit plan of the Company's external auditor, including the nature and scope of audit, remuneration and terms of engagement in respect of the audit on the financial statements for the FY2016;

– Reviewed the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters and the investigation process on the reported cases; and

– Reviewed the renewal of the Group's continuing connected transactions.

The external auditor has attended the above three meetings and discussed with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B5. Corporate Governance Committee

The Corporate Governance Committee comprises a total of three members, being one executive Director, Ms. Wong Pui Wah (chairlady of the Committee), and two independent non-executive Directors, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry.

The Corporate Governance Committee is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code, including developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Securities Dealing Code; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. The Corporate Governance Committee is also responsible for reviewing the Group's process of disclosure, including assessing and verifying the accuracy and materiality of inside information and determining the form and content of any required disclosure; and reviewing and monitoring the effectiveness of the shareholders' communication policy adopted by the Company.

During the FY2016, the Corporate Governance Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

– Reviewed the policies and practices on corporate governance of the Group;

– Reviewed the training and continuous professional development of Directors and senior management;

– Reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

– Reviewed the compliance of the Securities Dealing Code;

– Reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;

– Reviewed the Group's process of disclosure, including assessing and verifying the accuracy and materiality of inside information and determined the form and content of certain required disclosures; and

– Reviewed the effectiveness of the shareholders' communication policy.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the FY2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit function of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including air freight, sea freight, trade lane, corporate management, human resources, finance and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the FY2016.

The Company has engaged external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

During the FY2016, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed a policy for handling and dissemination of inside information. The policy provides a general guide to the Company's Directors, officers and relevant employees in handling confidential information and monitoring information disclosure.

E. COMPANY SECRETARY

The Company Secretary is Ms. Wong Pui Wah, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Ms. Wong Pui Wah are set out in the section headed "Biographies of Directors and Senior Management" of this report. During the FY2016, Ms. Wong has taken not less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the FY2016 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to Deloitte Touche Tohmatsu, the Company's auditor, in respect of audit services and non-audit services for the FY2016 are analysed below:

Type of services provided by the external auditor	**Fees paid/payable** *HK$*
Audit services – audit fee for the FY2016	1,420,000
Non-audit services	
– review of interim results for the six months ended 30 June 2016	405,000
– review of continuing connected transactions for the FY2016	85,000
– review of annual results announcement for the FY2016	27,500
TOTAL:	1,937,500

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make the best investment decision.

The Company maintains a website at www.ontime-express.com as a communication platform with its Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors of the Company may send written enquiries or requests to the Company via the following contact details:

Attention: Company Secretary

Address: Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong

Email: tiffany.wong@chq.ontime-express.com

Tel: (852) 2998 4626

Fax: (852) 3586 7681

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and senior staff will be available to answer questions raised by the Shareholders at general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.ontime-express.com) and the Stock Exchange after each Shareholders' meeting.

Pursuant to the Articles, any 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 carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

I. CONSTITUTIONAL DOCUMENTS

During the FY2016, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of Shareholders.

J. DEED OF NON-COMPETITION

In respect of the compliance of the provisions of the Deed of Non-competition by the Controlling Shareholders, please refer to the section headed "Deed of Non-competition" in the Directors' Report of this report.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF ON TIME LOGISTICS HOLDINGS LIMITED
先達國際物流控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of On Time Logistics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 110, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2016, 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"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgment, 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 matter	How our audit addressed the key audit matter
Carrying amount of trade receivables We identified the carrying amount of trade receivables as a key audit matter due to the significant judgments involved in management's determination of the carrying amount of trade receivables. As disclosed in notes 4 and 22 to the consolidated financial statements, in determining the carrying amount of trade receivables, management has taken into consideration the overdue balances, previous payment history, value of assets pledged as collateral and aging of trade receivables. As at 31 December 2016, the carrying amount of trade receivables is HK\$496,150,000 (net of allowance for doubtful debts of HK\$7,508,000).	Our procedures in relation to the determination of the carrying amount of trade receivables included: • Understanding management's process for assessing the carrying amount of trade receivables; • Assessing on, a sample basis, the reasonableness of the carrying amount with reference to the payment history, aging analysis and subsequent settlements of the trade receivables as well as the value of collateral held by the Group; and • Assessing the accuracy of the aging analysis of trade receivables, on a sample basis, by comparing to supporting documents.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Carrying amount of goodwill We identified the carrying amount of goodwill as a key audit matter due to the significant judgments involved in management's impairment assessment of goodwill. As described in notes 4 and 17 to the consolidated financial statements, as at 31 December 2016, goodwill that arose from the acquisition of OTX Logistics B.V. and its subsidiaries was HK$13,770,000. For the purpose of goodwill impairment assessment, cash flow projections were used by management. The cash flow projections are based on recent financial budgets covering a 5-year period and apply growth rates and a discount rate.	Our procedures in relation to the carrying amount of goodwill included: • Evaluating the methodology adopted by management in the impairment assessment; • Evaluating the reasonableness of cash flow projections to supporting evidence, such as approved budget, past performance as well as our understanding of the business; • Evaluating the reasonableness of the underlying assumptions within the cash flow projections such as growth rates and discount rate by comparing them to historical results and market data, respectively; and • Performing the sensitivity analysis on the underlying assumptions and assessing the impact, if any, on the carrying amount of goodwill.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

- 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Wong Kuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	2,867,339	3,223,589
Cost of sales		(2,375,321)	(2,702,850)
Gross profit		492,018	520,739
Other income		6,346	8,450
Administrative expenses		(480,991)	(458,369)
Other gains or losses	8	5,320	(1,563)
Share of profit of associates		353	336
Share of (loss) profit of joint ventures		(3,683)	58
Finance costs	9	(3,327)	(4,292)
Profit before taxation		16,036	65,359
Income tax expense	10	(9,733)	(13,006)
Profit for the year	11	6,303	52,353
Profit for the year attributable to:			
Owners of the Company		4,967	49,900
Non-controlling interests		1,336	2,453
		6,303	52,353
Earnings per share (Hong Kong cents)			
Basic and diluted	14	1.2	12.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Profit for the year		6,303	52,353
Other comprehensive (expense) income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation decrease on leasehold land and buildings		(110)	(204)
Deferred tax arising on revaluation of leasehold land and buildings	*31*	155	190
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale investment		(581)	–
Provision of impairment loss on available-for-sale investment		581	–
Share of reserve of associates		(1)	(6)
Share of reserve of joint ventures		(212)	(501)
Exchange difference arising from foreign operations		(9,767)	(16,713)
Other comprehensive expense for the year		(9,935)	(17,234)
Total comprehensive (expense) income for the year		(3,632)	35,119
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(3,606)	35,730
Non-controlling interests		(26)	(611)
		(3,632)	35,119

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	15	7,249	7,634
Property, plant and equipment	16	48,584	48,482
Goodwill	17	13,770	14,429
Intangible assets	18	17,654	20,918
Interests in associates	19	1,190	671
Interests in joint ventures	20	4,386	4,390
Available-for-sale investments	21	16,237	17,976
Deferred tax assets	31	163	561
		109,233	115,061
Current assets			
Trade receivables	22	496,150	423,001
Other receivables, deposits and prepayments	22	79,421	56,868
Held for trading investments	23	995	929
Amounts due from joint ventures	25	14,602	5,851
Amounts due from associates	24	10,523	8,304
Amounts due from related companies	26	6	–
Loan to a joint venture	25	3,414	–
Loan to an associate	24	500	500
Prepaid tax		3,431	1,152
Pledged bank deposits	27	10,747	11,976
Bank balances and cash	27	211,207	242,300
		830,996	750,881
Current liabilities			
Trade and other payables	28	309,685	265,029
Amount due to an associate	24	270	339
Amount due to a joint venture	25	–	2
Amount due to a related company	26	–	49
Tax liabilities		5,491	8,158
Obligations under finance leases – due within one year	29	498	603
Bank borrowings	30	145,400	98,595
		461,344	372,775
Net current assets		369,652	378,106
Total assets less current liabilities		478,885	493,167

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

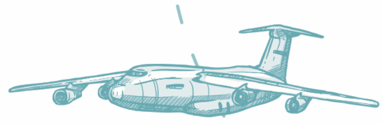
AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Trade and other payables – due after one year	28	3,021	2,596
Obligations under finance leases – due after one year	29	294	416
Deferred tax liabilities	31	12,930	14,664
		16,245	17,676
		462,640	475,491
Capital and reserves			
Share capital	32	41,280	41,457
Reserves		393,659	404,734
Net assets attributable to owners of the Company		434,939	446,191
Non-controlling interests	33	27,701	29,300
Total equity		462,640	475,491

The consolidated financial statements on pages 39 to 110 were approved and authorised for issue by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Mr. Lam Chun Chin, Spencer
DIRECTOR

Ms. Wong Pui Wah
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special reserve HK$'000 (Note a)	Share options reserve HK$'000	Other reserve HK$'000 (Note c)	Translation reserve HK$'000	Statutory reserve HK$'000 (Note b)	Property revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	41,500	420,338	203	(295,411)	–	(705)	(5,655)	6,199	10,328	240,486	417,283	28,280	445,563
Profit for the year	–	–	–	–	–	–	–	–	–	49,900	49,900	2,453	52,353
Revaluation decrease on leasehold land and buildings	–	–	–	–	–	–	–	–	(204)	–	(204)	–	(204)
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	–	190	–	190	–	190
Share of reserve of associates	–	–	–	–	–	–	(6)	–	–	–	(6)	–	(6)
Share of reserve of joint ventures	–	–	–	–	–	–	(501)	–	–	–	(501)	–	(501)
Exchange difference arising from overseas operations	–	–	–	–	–	–	(13,649)	–	–	–	(13,649)	(3,064)	(16,713)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(14,156)	–	(14)	49,900	35,730	(611)	35,119
Repurchase and cancellation of ordinary shares	(43)	–	–	–	–	–	–	–	–	–	(43)	–	(43)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(440)	–	–	–	–	–	–	–	–	(440)	–	(440)
Recognition of equity-settled share-based payment	–	–	–	–	539	–	–	–	–	–	539	–	539
Capital contribution from non-controlling shareholders upon incorporation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,880	1,880
Acquisition of additional interest in a subsidiary from a non-controlling shareholder *(note d)*	–	–	(208)	–	–	–	–	–	–	–	(208)	207	(1)
Derecognition of translation reserve from deregistration of a joint venture	–	–	–	–	–	–	(30)	–	–	–	(30)	–	(30)
Dividend paid to shareholders *(note 15)*	–	–	–	–	–	–	–	–	–	(6,640)	(6,640)	–	(6,640)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(456)	(456)
Lapse of equity-settled share-based payment	–	–	–	–	(15)	–	–	–	–	15	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	1,657	–	(1,657)	–	–	–
At 31 December 2015	41,457	419,898	(5)	(295,411)	524	(705)	(19,841)	7,856	10,314	282,104	446,191	29,300	475,491

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Special reserve	Share options reserve	Other reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Property revaluation reserve	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note a)		*(Note c)*			*(Note b)*					
At 1 January 2016	41,457	419,898	(5)	(295,411)	524	(705)	–	(19,841)	7,856	10,314	282,104	446,191	29,300	475,491
Profit for the year	–	–	–	–	–	–	–	–	–	–	4,967	4,967	1,336	6,303
Revaluation decrease on leasehold land and buildings	–	–	–	–	–	–	–	–	–	(110)	–	(110)	–	(110)
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	–	–	155	–	155	–	155
Share of reserve of associates	–	–	–	–	–	–	–	(1)	–	–	–	(1)	–	(1)
Share of reserve of joint ventures	–	–	–	–	–	–	–	(212)	–	–	–	(212)	–	(212)
Exchange difference arising from overseas operations	–	–	–	–	–	–	–	(8,405)	–	–	–	(8,405)	(1,362)	(9,767)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(8,618)	–	45	4,967	(3,606)	(26)	(3,632)
Repurchase and cancellation of ordinary shares	(177)	–	–	–	–	–	–	–	–	–	–	(177)	–	(177)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(1,850)	–	–	–	–	–	–	–	–	–	(1,850)	–	(1,850)
Recognition of equity-settled share-based payment	–	–	–	–	585	–	–	–	–	–	–	585	–	585
Acquisition of additional interest in a subsidiary from a non-controlling shareholder *(note d)*	–	–	(838)	–	–	–	–	–	–	–	–	(838)	(1,115)	(1,953)
Dividend paid to shareholders *(note 15)*	–	–	–	–	–	–	–	–	–	–	(5,366)	(5,366)	–	(5,366)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(458)	(458)
Lapse of equity-settled share-based payment	–	–	–	–	(19)	–	–	–	–	–	19	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	1,684	–	(1,684)	–	–	–
Net change in fair value of available-for-sale investment	–	–	–	–	–	–	(581)	–	–	–	–	(581)	–	(581)
Provision of impairment loss on available-for-sale investment	–	–	–	–	–	–	581	–	–	–	–	581	–	581
At 31 December 2016	41,280	418,048	(843)	(295,411)	1,090	(705)	–	(28,459)	9,540	10,359	280,040	434,939	27,701	462,640

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Notes:

(a) Special reserve comprises (i) the difference between the nominal amount of 500,000 shares of the Company amounting to HK$50,000 as consideration in exchange for the paid up capital of On Time Worldwide Logistics Limited ("OT BVI") amounting to HK$389,000 after elimination of share premium amounting to HK$241,000 as part of the Corporate Reorganisation in year ended 31 December 2013 and (ii) the difference between the aggregate net assets value of Citynet Logistics Worldwide Limited ("Citynet"), On Time Worldwide Logistics Limited ("OT WW HK"), On Time Shipping Line Limited ("OT SL HK"), On Union Management Limited ("On Union HK") and On Time Express Limited ("OT HK") amounting to HK$316,029,000 and the aggregate share capital of Citynet, OT WW HK, OT SL HK, OT Union HK and OT HK amounting to HK$20,520,000 as at 31 March 2014 on which the Company acquired the entire equity interest in Citynet, OT WW HK, OT SL HK, OT Union HK and OT HK by issue of 400,000 shares at HK$0.1 each upon Corporate Reorganisation.

(b) Statutory reserve represents general and development fund reserve required in accordance with the laws and regulations in the relevant jurisdictions.

(c) The non-controlling interests at 1 January 2013 included the fair value of options classified as equity instruments amounting to HK$705,000, which were related to the options granted to a group entity and a non-controlling shareholder of OTX Logistics B.V. ("OTX Logistics Holland") on disposal of 25% equity interest in OTX Logistics Holland in 2011. As the condition precedent the exercise of these options was not materialised upon the listing of the Company on 11 July 2014, the amount was reclassified to other reserve.

(d) On 1 August 2015, the Group acquire additional 10% equity interest in a subsidiary at a consideration amounting to HK$1,000 from its non-controlling shareholder resulting in HK$208,000 debit balance recognised in capital reserve. On 27 October 2016, the Group acquired additional 30% equity interest in a subsidiary at a consideration amounting to SGD350,000 (equivalent to HK$1,953,000) from its non-controlling shareholder, resulting in HK$838,000 debit balance recognised in capital reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 *HK$'000*	2015 *HK$'000*
Operating activities		
Profit before taxation	16,036	65,359
Adjustments for:		
Interest income	(1,025)	(633)
Finance costs	3,327	4,292
Share of results of associates	(353)	(336)
Share of results of joint ventures	3,683	(58)
Depreciation of property, plant and equipment	10,502	10,977
Amortisation of intangible assets	2,797	3,134
(Gain) loss on disposal of property, plant and equipment	(116)	114
Impairment loss on trade receivables recognised, net	2,708	13,706
Impairment loss on available-for-sale investment	581	–
Fair value changes of held for trading investments	(66)	115
Share-based payments	585	539
Fair value changes of investment properties	(123)	191
Write down long outstanding payable	(161)	(702)
Derecognition of translation reserve from deregistration of a joint venture	–	(30)
Operating cash flows before movements in working capital	38,375	96,668
(Increase) decrease in trade receivables	(65,846)	30,713
(Increase) decrease in other receivables, deposits and prepayments	(23,486)	4,513
(Increase) decrease in amount due from a joint venture	(13,036)	2,034
Decrease in amounts due from associates	645	337
Increase (decrease) in trade and other payables	54,638	(17,947)
Cash (used in) generated from operations	(8,710)	116,318
Income tax paid	(15,342)	(13,786)
Net cash (used in) from operating activities	(24,052)	102,532
Investing activities		
Interest received	1,025	633
Purchase of property, plant and equipment	(12,602)	(9,975)
Advance to associates and joint ventures	(2,864)	(3,418)
Advance to a joint venture	(3,414)	(3,420)
Withdrawal of pledged bank deposits	1,239	–
Placement of pledged bank deposits	(68)	(1,079)
Payment for investments in joint ventures	(3,891)	(52)
Payment for investments in associates	(166)	(237)
Payment for additional interests in a subsidiary	(1,953)	(1)
Purchases of available-for-sale investments	–	(17,976)
Proceeds from deregistration of a joint venture	–	131
Proceeds from disposal of property, plant and equipment	366	488
Net cash used in investing activities	(22,328)	(34,906)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 *HK$'000*	2015 *HK$'000*
Financing activities		
Increase (decrease) in bank overdrafts	629	(9,762)
Increase (decrease) in factoring loans	49,065	(49,704)
Interest paid	(3,327)	(4,292)
New bank loans obtained	234,094	289,398
Repayment of bank loans	(237,033)	(280,202)
Dividends paid to non-controlling interests of the subsidiaries	(458)	(456)
Dividends paid	(5,366)	(6,640)
(Advance to) repayment from an associate	(69)	339
(Advance to) repayment from a joint venture	(11,778)	2
(Advance to) repayment from a related company	(55)	49
Repayment of obligations under finance leases	(694)	(605)
Capital injection from a non-controlling shareholder of a subsidiary	–	1,880
Payment for repurchase of ordinary shares	(177)	(43)
Payment for transactions attributable to repurchase of ordinary shares	(1,850)	(440)
Net cash from (used in) financing activities	22,981	(60,476)
Net (decrease) increase in cash and cash equivalents	(23,399)	7,150
Cash and cash equivalents at the beginning of the year	242,300	242,978
Effect of foreign exchange rate changes	(7,694)	(7,828)
Cash and cash equivalents at the end of the year	211,207	242,300
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	211,207	242,300

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law in the Cayman Islands on 6 March 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 July 2014. The addresses of the registered office and the principle place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong respectively.

The Company acts as an investment holding company. The principal activities of associates, joint ventures and subsidiaries are set out in notes 19, 21 and 43 respectively.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

The Group had applied the following amendments to HKFRSs issued by the Hong Kong Certified Public Accountants ("HKICPA") for the first time in the current year.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1] and the related Amendments
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs") (CONTINUED)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management of the Group anticipates that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs") (CONTINUED)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The management of the Group anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above impact, the management of the Group does not anticipate that the application of above new standards and amendments will have significant impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presents as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs") (CONTINUED)

HKFRS 16 "Leases" (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$144,081,000 as disclosed in note 38. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as mentioned above, the directors of the Company do not anticipate that the application of the HKFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, certain property, plant and equipment and certain financial instruments that are measured at fair values or revalued amounts as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on 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 entirety, which are described as follows:

- 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 principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All the amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures (Continued)

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds its interest in that associate or joint venture (which included any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in associates or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after assessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group' consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Freight services income is recognised when services are rendered, the revenue from outbound services is recognised when the cargos are delivered to the carriers, and the revenue from inbound services is recognised upon the arrival of cargos.

General sales agency income is recognised when the services are rendered.

Logistics services income is recognised when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Management fee and information technology ("IT") service fee income are recognised when services are rendered. Income from trademarks is recognised on a straight-line basis over the terms of the relevant agreement.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment, other than leasehold land (classified as finance lease) and buildings, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated financial statements at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on the revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of such leasehold land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued land and building is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or revalued amount of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment property is property held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale investments, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale investments and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale investments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, amounts due from/loan to related parties, associates, joint venture, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to a related company, an associate, a joint venture and bank borrowings) are subsequently measured at amortised cost using effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognise its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment and investment properties.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate), if any.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see above), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are determining using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Deferred taxation on fair value gain on investment properties is calculated at the Enterprise Income Tax rate in the PRC of 25%.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following twelve months.

Estimated impairment losses on trade receivables

The Group makes impairment losses on trade receivables (note 22) based on the assessments of the recoverability of the outstanding balances. Impairment losses are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible or recoverable. The identification of impairment losses require the estimation of future cash flows by considering the overdue balances, previous payment history, value of assets pledged as collateral and aging of the trade receivable. Where the expectation of the recoverability of the trade receivables is different from the original estimate, such difference will impact the carrying values of the trade receivables and impairment losses recognised in profit or loss in the year in which such estimate has changed. As at 31 December 2016, the carrying amounts of trade receivables are HK$496,150,000 (2015: HK$423,001,000) (net of allowance for doubtful debts of HK$7,508,000 (2015: HK$19,215,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of fair value less cost of disposal and value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The value in use calculation is dependent on inputs and assumptions that involve management's judgments, including preparation of cash flow projections which are based on recent financial budgets covering a 5-year period and apply growth rates and a discount rate. As at 31 December 2016, the carrying amount of goodwill is HK$13,770,000 (2015: HK$14,429,000). Details of the recoverable amount calculation are disclosed in note 17.

Useful lives of intangible assets

Amortisation is provided to write off the cost of intangible assets over their estimated useful lives which are determined by the Group. The carrying amounts of the intangible assets as at 31 December 2016 are HK$17,654,000 (2015: HK$20,918,000). In applying the accounting policy on intangible assets with respect to amortisation, the directors of the Company estimate the useful life of intangible assets according to the industrial experiences over the revenue expectation and also by reference to the relevant industrial norm. Should the useful lives of these assets differ from that previously estimated, the calculation of amortisation would be affected.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the Company have to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 15, 16, 23 and 35 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. REVENUE

Revenue represents the amounts received and receivable for freight services income, less discounts and allowances during the year.

6. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on five main operations:

Air freight:	this segment is related to freight forwarding by air.
Ocean freight:	this segment is related to freight forwarding by seas.
General sales agency:	this segment is related to agency services for freight forwarding income.
Logistics:	this segment is related to provide warehousing and package services.
Others:	this segment is related to freight forwarding by land and trucking services.

(a) Segment revenue and results

	Segment revenue		Segment results	
	2016	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating and reportable segments				
Air freight	1,868,551	2,171,091	176,270	226,017
Ocean freight	835,134	895,112	128,741	128,254
General sales agency	123	11	(915)	(849)
Logistics	97,801	75,794	(3,756)	(2,613)
Others	65,730	81,581	25,922	22,014
Total	2,867,339	3,223,589	326,262	372,823
Other income			6,346	8,450
Other gains or losses			5,320	(1,563)
Unallocated corporate expenses			(315,235)	(310,453)
Share of profit of associates			353	336
Share of (loss) profit of joint ventures			(3,683)	58
Finance costs			(3,327)	(4,292)
Profit before taxation			16,036	65,359

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Reportable segment results represents the profit earned by each segment without allocation of other income, other gains or losses, share of profit of associates, share of (loss) profit of joint ventures, unallocated corporate expenses (including depreciation, amortisation and impairment) and finance costs.

(b) Segment assets and liabilities

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The turnover by geographical market based on the location of operations:

	Turnover from external customers	
	2016	**2015**
	HK$'000	*HK$'000*
Hong Kong	1,098,400	1,273,315
PRC	547,175	613,140
Korea	73,306	65,988
Vietnam	65,169	73,499
Other Asian regions	295,638	329,821
The Netherlands	324,259	363,046
USA	430,315	461,644
Canada	33,077	43,136
	2,867,339	3,223,589

Information about the Group's non-current assets by geographical market based on location of operations:

	2016	**2015**
	HK$'000	*HK$'000*
Hong Kong	42,339	43,985
PRC	8,585	9,114
Indonesia	515	776
Malaysia	1,168	874
Other Asian regions	1,932	2,189
The Netherlands	28,612	31,500
USA	4,105	3,022
Canada	1	3
	87,257	91,463

Note: Non-current assets exclude interests in associates, interests in joint ventures, available-for-sale investments and deferred tax assets. Other Asian regions comprised countries which generated revenue or with non-current assets that is individually immaterial to the Group's revenue or assets.

(d) Information about major customers

There was no customer who accounted for over 10% of the total revenue generated from the above segments during the year.

7. OTHER INCOME

	2016 *HK$'000*	2015 *HK$'000*
Interest income on:		
– bank deposits	892	616
– loan to an associate	25	17
Rental income	1,821	2,705
Management fee income	755	499
IT service income	344	29
Trademarks income	124	372
Write-down long outstanding payables	161	702
Sundry income	2,224	3,510
Total	6,346	8,450

8. OTHER GAINS OR LOSSES

	2016 *HK$'000*	2015 *HK$'000*
Gain (loss) on disposal of property, plant and equipment	116	(114)
Loss arising from changes in fair value of held for trading investments	66	(115)
Fair value gain (loss) on investment properties	123	(191)
Net foreign exchange gain (loss)	5,602	(1,108)
Impairment loss on available-for-sales investment	(581)	–
Derecognition of translation reserve from deregistration of a joint venture	–	(30)
Others	(6)	(5)
	5,320	(1,563)

9. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000*
Interest on		
– bank borrowings	3,275	4,225
– obligations under finance leases	52	67
	3,327	4,292

10. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	360	3,012
– Enterprise Income Tax in the PRC	3,814	1,333
– Dutch Corporate Income Tax	1,603	2,466
– Indian Corporate Income Tax	301	594
– Vietnam Corporate Income Tax	1,218	1,534
– Thailand Corporate Income Tax	267	937
– Malaysia Corporate Income Tax	915	–
– Canadian Corporate Income Tax	648	154
– Other jurisdictions	2,210	2,242
	11,336	12,272
Overprovision in respect of prior years		
– Hong Kong Profits Tax	(52)	(70)
– Other jurisdictions	(894)	225
	(946)	155
Deferred taxation *(note 31)*		
– Current year	(657)	579
	9,733	13,006

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit in both financial years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiary of the Group is taxed at 25% in both financial years.

Dutch Corporate Income Tax rates are progressive tax rates. The corporate income tax charge has been calculated at the tax rate between 20.0% to 25.5% in both financial years.

Indian Corporate Income Tax is taxable at different tax rates ranging from 0% to 30% depending on taxable income for the reporting year, in accordance with Indian Income Tax Act 1961.

The Corporate Income Tax in Vietnam is calculated at 20% of the estimated assessable profit. Additionally, being a small and medium enterprise, the Vietnamese subsidiary is entitled to a 30% reduction in Corporate Income Tax in both financial years, in accordance with the Vietnamese laws.

The Corporate Income Tax in Thailand is calculated at 20% of assessable profit in both financial years.

10. INCOME TAX EXPENSE (CONTINUED)

Malaysia Corporate Income Tax is calculated at 25% of the estimated assessable profit.

Income tax expense in Canada comprises Federal Corporate Income Tax and Provincial Corporate Income Tax at 15% and 11.5% respectively.

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the deferred taxation are set out in note 31.

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2016 *HK$'000*	**2015** *HK$'000*
Profit before taxation	16,036	65,359
Tax at the Hong Kong Profits Tax rate of 16.5%	2,646	10,784
Tax effect of expenses not deductible for tax purposes	3,094	1,452
Tax effect of income not taxable for tax purposes	(276)	(1,707)
Tax effect of share of results of associates	(58)	(55)
Tax effect of share of results of joint ventures	608	(10)
Effect on tax exemption granted	(34)	(19)
Tax effect of tax losses not recognised	3,487	2,134
Utilisation of tax losses previously not recognised	–	(327)
(Over)underprovision in respect of prior year	(946)	155
Effect of different tax rates of group entities operating in different jurisdictions other than Hong Kong	971	(955)
Withholding tax on undistributed earnings	(154)	1,173
Withholding tax upon dividend declared	555	215
Others	(160)	166
Tax charge for the year	9,733	13,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11. PROFIT FOR THE YEAR

	2016 *HK$'000*	2015 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	4,972	4,662
Depreciation of property, plant and equipment	10,502	10,977
Amortisation of intangible assets	3,130	3,134
Impairment loss on trade receivables recognised	5,470	16,019
Reversal of impairment loss on trade receivables	(2,762)	(2,313)
Operating lease rentals in respect of rented premises and motor vehicles	64,256	53,808
Staff costs		
Directors' emoluments *(note 12)*	9,116	10,527
Other staff costs		
Staff costs excluding retirement benefit contributions	258,700	242,809
Retirement benefit contributions	26,692	24,488
Total staff costs	294,508	277,824
Gross rental income from investment properties	348	341
Less: outgoings incurred which did not generate rental income	(77)	(59)
	271	282

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Year ended 31 December 2016

Name of director	Directors' fees *HK$'000*	Basic salaries and allowances *HK$'000*	Performance bonus *(note)* *HK$'000*	Equity-settled share option expense *HK$'000*	Director's quarter *HK$'000*	Retirement benefit contributions *HK$'000*	Total *HK$'000*
Executive directors							
Mr. Lam Chun Chin, Spencer ("Mr. Lam")	–	368	–	–	1,140	14	1,522
Mr. Hartmut Lundwig Haenisch ("Mr. Haenisch")	–	1,164	–	–	–	–	1,164
Ms. Cheung Ching Wa, Camy ("Ms. Cheung")	–	1,088	519	–	–	18	1,625
Ms. Wong Pui Wah ("Ms. Wong")	–	1,084	400	122	–	18	1,624
Mr. Dennis Ronald de Wit	200	1,777	411	–	–	193	2,581
Independent non-executive directors							
Mr. Ng Wai Hung	200	–	–	–	–	–	200
Mr. Poon Ka Lee, Barry	200	–	–	–	–	–	200
Mr. Wong See Ho	200	–	–	–	–	–	200
	800	5,481	1,330	122	1,140	243	9,116

Note: The amounts are discretionary bonus which are determined based on individual performance.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Year ended 31 December 2015

Name of director	Directors' fees	Basic salaries and allowances	Performance bonus *(note)*	Equity-settled share option expense	Director's quarter	Retirement benefit contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Mr. Lam	–	358	800	–	1,020	14	2,192
Mr. Haenisch	–	1,163	553	–	–	–	1,716
Ms. Cheung	–	1,051	723	–	–	18	1,792
Ms. Wong	–	969	432	113	–	18	1,532
Mr. Dennis Ronald de Wit	200	1,761	540	–	–	194	2,695
Independent non-executive directors							
Mr. Ng Wai Hung	200	–	–	–	–	–	200
Mr. Poon Ka Lee, Barry	200	–	–	–	–	–	200
Mr. Wong See Ho	200	–	–	–	–	–	200
	800	5,302	3,048	113	1,020	244	10,527

Note: The amounts are discretionary bonus which are determined based on individual performance.

Mr. Lam is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

During the year ended 31 December 2016, the Group paid management fee of approximately HK$2.4 million (2015: HK$2.5 million) to D.R. de Wit Beheer B.V. (a company wholly owned by Mr. Dennis Ronald de Wit) for management services rendered by Mr. Dennis Ronald de Wit. Such management fee has been included in the directors' emoluments and such services provided pursuant to a management agreement constitute a continuing connected transaction which is subject to reporting and annual review requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange and the details of which are disclosed in the section headed "Continuing Connected Transactions" in the Directors' Report.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 39 to the Group's consolidated financial statements.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Five highest paid individuals

The five highest paid individuals included 3 directors (2015: 3) whose emoluments were included in the disclosure above. The emoluments of the remaining 2 (2015: 2) highest paid individuals are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Employees		
– basic salaries and allowances	2,990	3,808
– bonus	–	–
– equity-settled share option expense	–	–
– retirement benefit contributions	–	–
	2,990	3,808

Their emoluments were within the following bands:

	2016 *HK$'000*	2015 *HK$'000*
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	–	2

During the years ended 31 December 2016 and 31 December 2015, no emoluments were paid by the Group to the directors of the Company 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 has waived any emoluments for both years.

During the year ended 31 December 2016, the Group paid management fees of HK$2,990,000 (2015: HK$3,808,000) to two companies for management services rendered by two of the highest paid individuals who have beneficial interest in the companies. Such management fees have been included in administrative expenses and disclosed as employees' emoluments in the table above.

13. DIVIDEND

	2016 *HK$'000*	2015 *HK$'000*
Proposed final dividend in respect of the year ended 31 December 2016 of nil (2015: HK$1.6 cents) per share	–	5,366

Subsequent to the end of the reporting period, the Board does not recommend the payment of a final dividend (2015: HK1.30 cents) for the year ended 31 December 2016.

14. EARNINGS PER SHARE

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	4,967	49,900
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	413,136,180	414,906,066

The calculation of the basic earnings per share for the year is based on the profit attributable to owners of the Company and the weighted average number of 413,136,180 ordinary shares in issue during the year (2015: the weighted average number of 414,906,066 ordinary shares).

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options is higher than the average market price for shares during the current year.

15. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
At the beginning of the year	7,634	8,259
Net increase (decrease) in fair value recognised in profit or loss	123	(191)
Exchange realignment	(508)	(434)
At the end of the year	7,249	7,634

The fair value of the Group's investment properties situated outside of Hong Kong at 31 December 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out on the respective dates by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. There has been no change to the valuation technique during the year.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use. Key unobservable inputs used in valuing the investment properties were the property age, property size and property floor level of the investment properties. An increase in the property age would result in a decrease in the fair value measurement of the investment properties, and vice versa. An increase in the property size and property floor level of the investment properties used would result in an increase in the fair value measurement of the investment properties, and vice versa.

The fair value hierarchy of these investment properties is categorised into level 3 and there were no transfers into or out of Level 3 during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Computer equipment *HK$'000*	Furniture and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST OR VALUATION						
At 1 January 2015	24,966	29,432	18,090	14,186	5,793	92,467
Additions	–	4,503	3,284	2,124	507	10,418
Revaluation	(896)	–	–	–	–	(896)
Disposals	–	(1,157)	(614)	(10)	(216)	(1,997)
Exchange realignment	(1,311)	(848)	(1,052)	(305)	(164)	(3,680)
At 31 December 2015	22,759	31,930	19,708	15,995	5,920	96,312
Additions	–	4,768	4,409	3,369	523	13,069
Revaluation	(747)	–	–	–	–	(747)
Disposals	–	(1,147)	(446)	(818)	(1,415)	(3,826)
Exchange realignment	(1,514)	(667)	(595)	(302)	(109)	(3,187)
At 31 December 2016	20,498	34,884	23,076	18,244	4,919	101,621
Comprising:						
31 December 2016						
At cost	–	34,884	23,076	18,244	4,919	81,123
At valuation	20,498	–	–	–	–	20,498
	20,498	34,884	23,076	18,244	4,919	101,621
Comprising:						
31 December 2015						
At cost	–	31,930	19,708	15,995	5,920	73,553
At valuation	22,759	–	–	–	–	22,759
	22,759	31,930	19,708	15,995	5,920	96,312
DEPRECIATION						
At 1 January 2015	–	17,190	10,436	8,701	3,993	40,320
Charge for the year	720	4,807	2,336	2,235	879	10,977
Elimination on revaluation	(692)	–	–	–	–	(692)
Eliminated on disposals	–	(845)	(421)	(2)	(127)	(1,395)
Exchange realignment	(28)	(481)	(477)	(263)	(131)	(1,380)
At 31 December 2015	–	20,671	11,874	10,671	4,614	47,830
Charge for the year	668	4,393	2,952	1,996	493	10,502
Elimination on revaluation	(637)	–	–	–	–	(637)
Eliminated on disposals	–	(1,114)	(390)	(742)	(1,330)	(3,576)
Exchange realignment	(31)	(441)	(364)	(167)	(79)	(1,082)
At 31 December 2016	–	23,509	14,072	11,758	3,698	53,037
CARRYING VALUES						
At 31 December 2016	20,498	11,375	9,004	6,486	1,221	48,584
At 31 December 2015	22,759	11,259	7,834	5,324	1,306	48,482

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and buildings	Over the term of the lease
Computer equipment	20%
Furniture and equipment	20%
Leasehold improvements	5 years or over the term of the lease if shorter
Motor vehicles	20%

Fair value measurement of the Group's leasehold land and buildings

The Group's leasehold land and buildings were valued on 31 December 2016 and 31 December 2015 by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available adjusted for differences in the nature, location and conditions of the subject properties. There has been no change to the valuation technique during the year.

All leasehold land and buildings are situated in the Mainland China. As the cost of the leasehold land and buildings cannot be allocated reliably between the lease payments for the land portion and the cost of the building, leasehold land which classified as finance lease is included within the building element in property, plant and equipment.

In estimating the fair value of the leasehold land and buildings, the highest and best use of the leasehold land and buildings is their current use.

Key unobservable inputs used in valuing the leasehold land and buildings were the property age, property size and property floor level. An increase in the property age would result in a decrease in the fair value measurement of the leasehold land and buildings and vice versa. An increase in the property size and property floor level of the leasehold land and buildings used would result in an increase in the fair value measurement of the leasehold land and buildings, and vice versa.

The fair value hierarchy of these leasehold land and buildings is categorised into level 3 and there were no transfers into or out of Level 3 during the year.

If leasehold land and buildings of the Group had not been revalued, they would have been included on a historical cost basis at the following amounts:

	2016	**2015**
	HK$'000	*HK$'000*
Cost	12,131	12,996
Accumulated depreciation	(2,461)	(2,116)
Carrying value	9,670	10,880

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying values of property, plant and equipment at the end of the reporting period in respect of assets held under finance leases are:

	2016	**2015**
	HK$'000	*HK$'000*
Motor vehicles	551	573
Furniture and equipment	337	245
	888	818

17. GOODWILL

	2016	**2015**
	HK$'000	*HK$'000*
At the beginning of the year	14,429	16,065
Exchange realignment	(659)	(1,636)
At the end of the year	13,770	14,429

Goodwill arose from the acquisition of OTX Logistics Holland and its subsidiaries ("OTX Logistics Holland Group") during the year ended 31 December 2011. The OTX Logistics Holland Group is engaged in the provision of freight forwarding services in The Netherlands. The carrying value of goodwill with indefinite useful lives has been allocated to the business of OTX Logistics Holland Group as a whole. The management of the Group considers that OTX Logistics Holland Group is one cash generating unit ("CGU") for the purpose of impairment testing.

The recoverable amount of the CGU of OTX Logistics Holland Group has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections which are based on recent financial budgets covering a 5-year period (2015: 5-year period) and discount rate of 15.85% (2015: 16.91%). Cash flows beyond the 5-year period have been extrapolated using zero growth rate. The key assumptions are budgeted gross margin based on the past performance and the Group's expectation for the market development. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

18. INTANGIBLE ASSETS

	Computer system *HK$'000*	Customer list *HK$'000*	Trademarks *HK$'000*	Total *HK$'000*
COST				
At 1 January 2015	–	25,349	9,350	34,699
Exchange realignment	–	(2,582)	–	(2,582)
At 31 December 2015	–	22,767	9,350	32,117
Addition	333	–	–	333
Exchange realignment	–	(1,038)	–	(1,038)
At 31 December 2016	333	21,729	9,350	31,412
AMORTISATION				
At 1 January 2015	–	8,450	506	8,956
Charge for the year	–	2,198	936	3,134
Exchange realignment	–	(891)	–	(891)
At 31 December 2015	–	9,757	1,442	11,199
Charge for the year	–	2,195	935	3,130
Exchange realignment	–	(571)	–	(571)
At 31 December 2016	–	11,381	2,377	13,758
CARRYING VALUES				
At 31 December 2016	333	10,348	6,973	17,654
At 31 December 2015	–	13,010	7,908	20,918

Intangible assets with finite useful lives represent the carrying amounts of the customer list arising on the acquisition of OTX Logistics Holland Group during the year ended 31 December 2011 and trademarks purchased from Mr. Lam for a cash consideration of HK$9,350,000 during the year ended 31 December 2014. The costs of intangible assets are amortised over the estimated useful lives of ten years.

The carrying values of the Group's intangible assets at the acquisition date has been determined by management of the Company by reference to industry norm and income potential by the customers on the list and income potential by using trademark respectively.

19. INTERESTS IN ASSOCIATES

	2016 *HK$'000*	2015 *HK$'000*
Cost of investments, unlisted	1,512	1,346
Share of post-acquisition losses and other comprehensive expenses, net of dividends received	126	(227)
Impairment loss recognised	(448)	(448)
	1,190	671

Particulars of associates at 31 December 2016 and 31 December 2015 are as follows:

Name of entity	Place/country of incorporation/ operation	Class of issued capital shares	Proportion of nominal value of held indirectly held by the Company 2016	2015	Principal activity
Fashion Care Logistics B.V.	The Netherlands	Ordinary	25%	25%	Inactive
On Time Worldwide Logistics Limited	Bangladesh	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide Logistics L.L.C. ("OT WW Dubai")	United Arab Emirates	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide International Cargo Services L.L.C. ("OT Abu Dhabi")	United Arab Emirates	Ordinary	49%	49% *(note a)*	Provision of freight forward services
VGL Hong Kong Limited ("VGL HK")	Hong Kong	Ordinary	50%	50% *(note b)*	Provision of freight forwarding services
威超國際貨運代理有限公司 ("VGL China")	PRC	Registered	50%	50% *(note c)*	Provision of freight forwarding services
On Time Worldwide Logistics(Private) Limited ("OT Sri Lanka")	Sri Lanka	Ordinary	40% *(note d)*	–	Provision of freight forwarding services

Notes:

(a) On 26 May 2015, OT Abu Dhabi was incorporated in Abu Dhabi, United Arab Emirates, as a limited liability company with an authorised and issued share capital of AED150,000 divided into 100 shares of AED1,500 each. On the same date, the Company acquired 49% of the issued share capital of OT Abu Dhabi at a consideration AED73,500 (equivalent to HK$155,000).

(b) On 1 January 2015, the Group acquired 50% of the issued share capital of VGL HK at a consideration of HK$82,000.

(c) The Group owned 50% of the issued share capital of VGL China since its incorporation date on 17 July 2015.

(d) On 29 April 2016, the Group acquired 40% of the issued share capital of OT Sri Lanka at a consideration of LKR3,192,000 (equivalent to HK$166,000).

19. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate financial information of associates that is not individually material:

	2016 *HK$'000*	**2015** *HK$'000*
The Group's share of profit of associates for the year	353	336
The Group's share of other comprehensive expense of associates for the year	(1)	(6)
The Group's share of total comprehensive income	352	330
Aggregate carrying amount of the Group's interests in associates	1,190	671

Unrecognised share of losses of an associate

	2016 *HK$'000*	**2015** *HK$'000*
The unrecognised share of loss of associates for the year	1,141	420
Cumulative unrecognised share of losses of associates for the year	1,673	531

20. INTERESTS IN JOINT VENTURES

	2016 *HK$'000*	**2015** *HK$'000*
Cost of investments, unlisted	6,661	2,770
Share of post-acquisition profits and other comprehensive income, net of dividends received	(2,275)	1,620
	4,386	4,390

20. INTERESTS IN JOINT VENTURES (CONTINUED)

Particulars of the joint ventures at 31 December 2016 and 31 December 2015 are as follows:

Name of entity	Place/country of incorporation/ operation	Class of issued capital shares	Proportion of nominal value of held indirectly held by the Company 2016	2015	Principal activity
OTX Logistics Rotterdam B.V.	The Netherlands	Ordinary	37.5%	37.5%	Provision of freight forwarding services
BFM International Company Limited ("BFM HK")	Hong Kong	Ordinary	40% *(note c)*	50% *(note a)*	e-commerce
BFM Holdings Limited ("BFM BVI")	BVI	Ordinary	40% *(note c)*	50% *(note b)*	Investment holding
BFM (Shenzhen) Network Technology Co. Ltd. 白富美(深圳)網絡科技有限公司 ("BFM China")	PRC	Registered	40% *(note d)*	N/A	Inactive

Notes:

(a) BFM HK was incorporated on 9 March 2015 and the Group has acquired 50% equity interest of BFM HK for a consideration of HK$50,000 on its date of incorporation. On 5 November 2015, the Group disposed its interest in BFM HK to BFM BVI. On the same date, BFM BVI acquired the remaining 50% interest in BFM HK from an independent third party. As a result, BFM HK became a wholly-owned subsidiary of BFM BVI, and remained as a joint venture of the Group.

(b) BFM BVI was incorporated on 28 September 2015 and the Group has acquired 50% equity interest of BFM BVI for a consideration of US$200 (equivalent to HK$2,000) on its date of incorporation. As a result, BFM BVI became a joint venture of the Group. On 5 November 2015, BFM BVI acquired the entire interest in BFM HK at a consideration of HK$100,000.

(c) On 1 January 2016, 600 shares of BFM BVI were issued in which the Group allotted 200 shares. As such, the equity interests in BFM BVI and BFM HK were diluted to 40%.

(d) On 19 May 2016, BFM China was incorporated by BFM HK. As a result, BFM China became a joint venture of the Group.

Aggregate financial information of the joint ventures that is not individually material

	2016 *HK$'000*	2015 *HK$'000*
The Group's share of (loss) profit	(3,683)	58
The Group's share of other comprehensive expense	(212)	(501)
The Group's share of total comprehensive expense	(3,895)	(443)
Aggregate carrying amount of the Group's interest in joint ventures	4,386	4,390

20. INTERESTS IN JOINT VENTURES (CONTINUED)

Unrecognised share of loss of a joint venture

	2016 *HK$'000*	2015 *HK$'000*
The unrecognised share of loss of a joint venture for the year	–	988
Cumulative unrecognised share of loss of a joint venture for the year	–	988

21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 *HK$'000*	2015 *HK$'000*
Listed equity securities	16,237	–
Unlisted equity securities	–	17,976
	16,237	17,976

The listed and unlisted equity securities represent the Group's investment in 北京明邦物流股份有限公司 ("DNJ China") and Blackon Lab Holdings Limited ("Blackon Lab") with carrying amount of HK$16,237,000 (2015: HK$17,395,000) and nil (2015: HK$581,000) respectively. DNJ China is incorporated in the PRC and the Group's investment represents 13% holding of the ordinary shares of DNJ China. DNJ China was established and listed on the National Equities Exchange and Quotations System on 21 March 2016. Blackon Lab is incorporated in the BVI and the Group's investment represents 1% holding of the ordinary shares of Blackon Lab. The investments are not regarded as an associate of the Group because the Group has less than one-fifth of the voting power and the group has no right to appoint directors in DNJ China and Blackon Lab.

At the end of the reporting period, available-for-sale investment is stated at fair value. As at 31 December 2015, the unlisted entity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. The Company has no intention to dispose the investments in coming year.

The balances are denominated in the functional currencies of respective group entities.

During the year ended 31 December 2016, impairment loss of HK$581,000 (2015: nil) in respect of the unlisted equity securities has been recognised in the consolidated statement of profit or loss.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	**2015**
	HK$'000	*HK$'000*
Trade receivables	503,658	442,216
Less: allowance for doubtful debts	(7,508)	(19,215)
	496,150	423,001

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts, based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period:

	2016	**2015**
	HK$'000	*HK$'000*
0 – 30 days	288,100	236,121
31 – 60 days	140,663	131,355
61 – 90 days	45,206	33,170
91 – 180 days	10,811	15,367
Over 180 days	11,370	6,988
	496,150	423,001

Trade receivables that are neither past due nor impaired have good settlement repayment history. The Group has not provided any allowance of doubtful debts for the following trade receivables which are past due but not impaired because the management of the Group considers that those receivables are recoverable based on the good payment record of the customers.

On 29 August 2016, Mr. Hartmut Ludwig Haenisch, an executive Director, executed a personal guarantee and security and collateral agreement (whereby certain properties owned by him were specified as collaterals) in favour of the Company to guarantee trade receivable due and owing by one of the Company's customers, which is an independent third party. As at 31 December 2016, such trade receivable amounted to HK$8,212,634.

Aging of trade receivables which are past due but not impaired:

	2016	**2015**
	HK$'000	*HK$'000*
Overdue		
0 – 30 days	140,663	131,355
31 – 60 days	45,206	33,170
61 – 150 days	10,811	15,367
Over 150 days	11,370	6,988
	208,050	186,880

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period and considers to make impairment losses for irrecoverable amount, if necessary.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movements in the allowance for doubtful debts on trade receivables are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Balance at the beginning of the year	19,215	13,269
Impairment losses recognised	5,470	16,019
Amounts written off	(13,552)	(7,102)
Reversal of impairment losses	(2,762)	(2,313)
Exchange realignment	(863)	(658)
Balance at the end of the year	7,508	19,215

As at 31 December 2016 and 31 December 2015, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$7,508,000 and HK$19,215,000 respectively, which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

At the end of the reporting period, other receivables, deposits and prepayments are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Club debenture	243	255
Other deposits	12,622	12,775
Other receivables	40,916	22,163
Other tax receivables	3,505	2,860
Prepayments	11,763	9,846
Rental deposits	10,372	8,969
	79,421	56,868

Included in other receivables are receivables relating to freight forwarding services rendered but not yet billed to customers of HK$37,494,000 and HK$17,969,000 at 31 December 2016 and 31 December 2015, respectively.

The following is an aged analysis of unbilled trade receivables by the date of services rendered:

	2016	**2015**
	HK$'000	*HK$'000*
0 – 30 days	37,494	17,969

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The trade and other receivables balances are denominated in the following currencies other than the functional currencies of respective group entities:

	2016 *HK$'000*	**2015** *HK$'000*
United States dollars ("US$")	190,828	130,349
Renminbi ("RMB")	14,478	2,963
Euro ("EUR")	–	–
Singapore dollars ("SGD")	7	5
Malaysian Ringgit ("RM")	3	3
Indonesian rupiah ("IDR")	3,824	2,593
Canadian dollars ("CAD")	307	168

Transfers of financial assets

The followings were the Group's trade receivables as at 31 December 2016 and 31 December 2015 that were transferred to banks by factoring those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured factoring loans (see note 30).

These trade receivables are carried at amortised cost in the Group's consolidated statements of financial position.

	2016 *HK$'000*	**2015** *HK$'000*
Carrying amount of transferred assets	119,615	57,919
Carrying amount of associated liabilities	(95,691)	(46,576)
Net position	23,924	11,343

23. HELD FOR TRADING INVESTMENTS

Held for trading investments represent the investments in a quoted unlisted investment fund which is denominated in US$. The fair value of the investment fund is determined based on to the quoted market bid price provided by the counterparty financial institution.

24. AMOUNTS DUE FROM (TO) ASSOCIATES/LOAN TO AN ASSOCIATE

As at 31 December 2016, the amounts due from associates amounting to HK$10,717,000 (2015: HK$7,888,000) and amount due to an associate amounting to HK$270,000 (2015: HK$339,000) are non-trade related, unsecured, interest-free, and repayable on demand.

Trade balances due from associates are unsecured and interest-free. The Group allows average credit period of 30 days to its trade balances due from associates. The credit period granted by the associates to the Group is within 30 days. The following is an aged analysis of trade balances due from associates, based on the invoice date at the end of the reporting period:

	2016	**2015**
	HK$'000	*HK$'000*
0 – 60 days	(194)	416

The amounts due from (to) associates are not yet past due.

The balances due from (to) associates are denominated in the following currency other than the functional currencies of respective group entities:

	2016	**2015**
	HK$'000	*HK$'000*
US$	4,735	2,893

As at 31 December 2016, the loan to an associate, VGL HK, amounting to HK$500,000 (2015: HK$500,000) is unsecured, repayable on demand and carries interest at 5% per annum.

The loan to an associate is denominated in the functional currency of the group entity.

25. AMOUNTS DUE FROM (TO) JOINT VENTURES/LOAN TO A JOINT VENTURE

As at 31 December 2016, other than set out below, the amounts due from joint ventures amounting to HK$550,000 (2015: HK$4,006,000) and amount due to a joint venture amounting to HK$nil (2015: HK$2,000) are non-trade related, unsecured, interest-free and repayable on demand.

The Group allows average credit period of 30 days to its trade balances due from joint ventures and the balances are unsecured and interest-free. The following is an aged analysis of trade balance due from joint ventures based on invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	2016	**2015**
	HK$'000	*HK$'000*
0 – 30 days	4,208	1,542
31 – 60 days	3,066	297
61 – 90 days	2,505	6
91 – 180 days	3,655	–
Over 180 days	618	–
	14,052	1,845

25. AMOUNTS DUE FROM (TO) JOINT VENTURES/LOANS TO A JOINT VENTURE (CONTINUED)

Aging of trade balances due from joint ventures which are past due but not impaired:

	2016	2015
	HK$'000	*HK$'000*
Overdue		
0 – 30 days	3,066	297
31 – 60 days	2,505	6
61 – 150 days	3,655	–
Over 150 days	618	–
	9,844	303

The Group has not provided any allowance for doubtful debts for the joint ventures as the management of the Group considers that those receivables are recoverable based on the good payment record of the joint ventures.

The balances due from (to) joint ventures are denominated in the following currencies other than the functional currency of respective group entities:

	2016	2015
	HK$'000	*HK$'000*
US$	11,271	5,477

26. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The balances controlled by a director disclosed pursuant to Hong Kong Companies Ordinance are as follows:

	2016	2015
	HK$'000	*HK$'000*
Amounts due from (to) related companies – non-trade		
On Good Development Limited *(note)*	4	(49)
First Choice International Limited *(note)*	2	–
	6	(49)

The balance is unsecured, interest-free and repayable on demand and is denominated in the functional currency of the group entity.

Note: A company in which Mr. Lam, a director of the Company, has a controlling interest.

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK$10,747,000 (2015: HK$11,976,000) are pledged as securities in favour of banks facilities. The average effective interest rate of pledged bank deposits was 1.01% (2015: 1.01%) per annum as at 31 December 2016.

Bank balances as at 31 December 2016 carry interests at market rates which range from 0% to 8.25% (2015: 0% to 10.50%) per annum.

The Group's pledged bank deposits and bank balances and cash that are denominated in the following currencies other than the functional currencies of the respective group entities are set out below:

	2016	**2015**
	HK$'000	*HK$'000*
US$	73,673	56,752
RMB	709	876
EUR	2,508	5,356
SGD	34	93
IDR	275	584
CAD	602	889
British pound sterling ("GBP")	48	71

28. TRADE AND OTHER PAYABLES

	2016	**2015**
	HK$'000	*HK$'000*
Trade payables	241,311	201,815
Other payables and accrued charges	63,422	63,601
Deposit received	7,696	2,076
Advance from employees	277	133
	312,706	267,625
Analysed as:		
– current	309,685	265,029
– non-current	3,021	2,596
	312,706	267,625

The average credit period granted by suppliers is 30 days. Included in non-current trade and other payables are mainly severance payments and retirement benefits obligations.

28. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aged analysis, based on invoice date, of trade payables at the end of the reporting period:

	2016 *HK$'000*	**2015** *HK$'000*
Within 60 days	227,283	172,540
61 – 180 days	8,975	24,105
181 – 365 days	1,274	1,846
1 – 2 years	3,779	3,324
	241,311	201,815

The balances are denominated in the following currencies other than the functional currencies of respective group entities:

	2016 *HK$'000*	**2015** *HK$'000*
US$	17,080	11,612
RMB	2,335	–
EUR	4,566	3,510
CAD	1,043	825
IDR	1,884	2,214
GBP	310	1,899

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2016 *HK$'000*	**2015** *HK$'000*	**2016** *HK$'000*	**2015** *HK$'000*
Amounts payable under finance leases:				
Within one year	528	639	498	603
In more than one year but not more than two years	259	343	251	333
In more than two years but not more five years	44	86	43	83
	831	1,068	792	1,019
Less: future finance charges	(39)	(49)	–	–
Present value of lease obligations	792	1,019	792	1,019
Less: Amount due from settlement within one year (shown under current liabilities)			(498)	(603)
Amount due for settlement after one year			294	416

29. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

The Group has leased certain of its furniture and equipment and motor vehicles under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 0.94% to 12.24% (2015: 0.30% to 6.33%) per annum as at 31 December 2016.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

30. BANK BORROWINGS

	2016	**2015**
	HK$'000	*HK$'000*
Secured:		
– bank overdrafts	812	183
– bank loans	48,897	51,836
– factoring loans	95,691	46,576
	145,400	98,595

The borrowings are repayable:

	2016	**2015**
	HK$'000	*HK$'000*
Carrying amounts of bank borrowings that contain a repayment on demand clause:		
Analysed based on original repayment schedule		
Repayable within one year from the end of reporting period	48,897	51,836
Repayable on demand	96,503	46,759
Less: Amount due within one year shown under current liabilities	(145,400)	(98,595)
Amount due after one year	–	–

The Group's bank borrowings carry interest variable to Hong Kong Interbank Offered Rate, Hong Kong Best Lending Rate, HK$ Money Market Saving Debit Interest Base Rate, Korea Best Lending Rate, Malaysia Base Lending Rate and London Interbank Offered Rate. As at 31 December 2016, the effective interest rates range from 2.44% to 8.1% (2015: 2.44% to 8.1%) per annum which expose the Group to cash flow interest rate risk.

The carrying amount of bank borrowings that is denominated in currency other than the functional currencies of the respective group entities is set out below:

	2016	**2015**
	HK$'000	*HK$'000*
US$	812	1,203

As at 31 December 2016, the above bank borrowings are secured by pledged bank deposits of HK$10,747,000 (2015: HK$11,976,000) and trade receivables of HK$119,615,000 (2015: HK$57,919,000).

31. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*	Intangible assets *HK$'000*	Revaluation of properties *HK$'000*	Withholding tax on undistributed earnings *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 31 December 2014	(397)	(4,309)	(3,709)	(6,445)	191	(14,669)
Credit (charge) to profit or loss	186	561	50	(1,173)	(201)	(577)
Charge to other comprehensive income	–	–	190	–	–	190
Exchange realignment	12	431	193	327	(10)	953
At 31 December 2015	(199)	(3,317)	(3,276)	(7,291)	(20)	(14,103)
Credit (charge) to profit or loss	(138)	560	(31)	154	112	657
Charge to other comprehensive income	–	–	155	–	–	155
Exchange realignment	5	119	219	185	(4)	524
At 31 December 2016	(332)	(2,638)	(2,933)	(6,952)	88	(12,767)

For the presentation purposes on the consolidated statements of financial position, certain deferred tax assets (liabilities) have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 *HK$'000*	2015 *HK$'000*
Deferred tax assets	163	561
Deferred tax liabilities	(12,930)	(14,664)
	(12,767)	(14,103)

At 31 December 2016, the Group had unused tax losses of HK$57,371,000 (2015: HK$36,332,000), available to offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2016 *HK$'000*	2015 *HK$'000*
2021	3,970	–
2031	2,495	–
2032	4,346	2,494
2033	7,171	4,342
2034	1,870	7,165
2035	8,890	1,869
Indefinite	28,629	20,462
	57,371	36,332

As at 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$8,150,000 (2015: HK$7,920,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	Number of ordinary shares	Share capital *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2015	415,000,000	41,500
Repurchase and cancellation of ordinary shares	(434,000)	(43)
At 31 December 2015	414,566,000	41,457
Repurchase and cancellation of ordinary shares	(1,762,000)	(177)
At 31 December 2016	412,804,000	41,280

The shares issued rank pari passu with other shares in issue in all respects.

33. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Other comprehensive expense allocated to non-controlling interests		Accumulated non-controlling interest	
		2016	2015	2016 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2015 *HK$'000*
On Time Worldwide Logistics Ltd. ("OT Korea")	Korea	49%	49%	1,146	619	(160)	(214)	4,674	3,688
OTX Logistics Holland Group	The Netherlands	25%	25%	579	2,057	(1,222)	(2,755)	19,603	20,246
Individual immaterial subsidiaries with non-controlling interests				(389)	(223)	20	(95)	3,424	5,366
				1,336	2,453	(1,362)	(3,064)	27,701	29,300

33. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of these subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

OT Korea

	2016 *HK$'000*	2015 *HK$'000*
Current assets	18,268	11,714
Non-current assets	265	193
Current liabilities	(8,995)	(4,381)
Non-current liabilities	–	–
Equity attributable to owners of the Company	4,865	3,838
Non-controlling interests	4,674	3,688
Revenue	76,673	68,520
Expenses	(74,335)	(67,258)
Profit for the year	2,338	1,262
Profit attributable to owner of the Company	1,192	643
Profit attributable to the non-controlling interests	1,146	619
Profit for the year	2,338	1,262
Other comprehensive expense attributable to owner of the Company	(166)	(223)
Other comprehensive expense attributable to the non-controlling interests	(160)	(214)
Other comprehensive expense for the year	(326)	(437)
Total comprehensive income attributable to owner of the Company	1,026	420
Total comprehensive income attributable to the non-controlling interests	986	405
Total comprehensive income for the year	2,012	825
Dividends paid to non-controlling interest	–	–
Net cash inflow from operating activities	4,719	3,458
Net cash outflow from investing activities	(135)	(67)
Net cash outflow from financing activities	–	(1,478)
Net cash inflow	4,584	1,913

33. NON-CONTROLLING INTERESTS (CONTINUED)

OTX Logistics Holland Group

	2016 *HK$'000*	2015 *HK$'000*
Current assets	137,447	121,365
Non-current assets	33,044	35,939
Current liabilities	(118,412)	(99,414)
Non-current liabilities	(2,970)	(3,651)
Equity attributable to owners of the Company	29,506	33,993
Non-controlling interests	19,603	20,246
Revenue	331,152	367,494
Expenses	(326,154)	(360,082)
Profit for the year	4,998	7,412
Profit attributable to owner of the Company	4,419	5,355
Profit attributable to the non-controlling interests	579	2,057
Profit for the year	4,998	7,412
Other comprehensive expense attributable to owner of the Company	(3,650)	(7,625)
Other comprehensive expense attributable to the non-controlling interests	(1,222)	(2,755)
Other comprehensive expense for the year	(4,872)	(10,380)
Total comprehensive income (expense) attributable to owner of the Company	769	(2,270)
Total comprehensive expense attributable to the non-controlling interests	(643)	(698)
Total comprehensive income (expense) for the year	126	(2,968)
Dividends paid to non-controlling interest	–	–
Net cash (outflow) inflow from operating activities	(6,322)	23,038
Net cash outflow from investing activities	(2,372)	(912)
Net cash outflow from financing activities	(26)	(198)
Net cash (outflow) inflow	(8,720)	21,928

34. 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 capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 30, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 *HK$'000*	**2015** *HK$'000*
Financial assets		
Held for trading investments	995	929
Available-for-sale investments	16,237	17,976
Loans and receivables (including cash and cash equivalents)	784,646	714,095
Financial liabilities		
Amortised cost	445,783	359,942
Obligations under finance leases	792	1,019

(b) Financial risk management objectives and policies

The Group's major financial instruments include held for trading investments, available-for-sale investments, loan receivables, trade receivables, other receivables, amounts/loans due from (to) related parties, associates and joint ventures, pledged bank deposits, bank balances, trade and other payables and bank borrowings. These risks include market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on variable-rate pledged bank deposits, bank balances and bank borrowings which carry interest at prevailing market interest rates.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However management has closely monitored the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

For the purpose of sensitivity analysis, the variable-rate pledged bank deposit and bank balances are excluded as the directors of the Company considered that the interest rate risk of variable-rate pledged bank deposits and bank balances are insignificant as the fluctuation in interest rate is limited. The sensitivity analysis below has been prepared based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial years and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rate had been of 50 basis points higher/lower and all other variables held constant, the Group's post-tax profit would decrease/increase by HK$607,000 (2015: decrease/increase by HK$408,000) for the year ended 31 December 2016.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The management manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities other than the respective group entities functional currencies at the end of the reporting period are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Assets		
US$	281,502	196,403
RMB	15,183	3,836
EUR	54	2,675
SGD	41	98
IDR	4,099	3,177
CAD	909	1,057
Liabilities		
US$	17,892	12,817
RMB	2,335	–
EUR	4,566	3,510
IDR	1,884	2,214
CAD	1,043	825
GBP	1,951	1,899

The carrying amounts of foreign currency denominated intra-group balances which have been eliminated in the consolidated financial statements are as follows:

Amounts due (to) from group entities

	2016 *HK$'000*	2015 *HK$'000*
US$	(53,870)	(62,238)
RMB	(46,882)	(14,754)
EUR	(1,769)	(52,727)

Currency risk sensitivity analysis

The group entities are mainly exposed to the effect of fluctuation in US$, RMB and EUR. The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency of relevant group entities against US$, RMB and EUR. 10% is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates. Since Hong Kong dollar is pegged to US$, such foreign currency risk is minimal, and excluded from the calculation below.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in profit where the functional currency of relevant group entities strengthens against the US$, RMB and EUR. For a 10% weakening of the functional currency of relevant group entities, there would be an equal and opposite impact on the profit.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

(Decrease) increase in the profit

	2016	**2015**
	HK$'000	*HK$'000*
US$ impact	(3,033)	(1,131)
RMB impact	2,066	856
EUR impact	381	4,291

Price risk

The Group is exposed to price risk through its held for trading investments which are measured at fair value at the end of the reporting period.

If the market price of the held for trading investments had been 7% higher/lower while all other variables were held constant, the Group's post-tax profit after tax for the year ended 31 December 2016 would increase/decrease by HK$58,000 (2015: HK$54,000).

(ii) Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk which would 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 statements of financial position.

In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, loan receivables and amounts due from/loans to related parties, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers and geographical areas.

The credit risk on liquid funds is limited because the management of the Group considers that the counterparties are financially sound.

(iii) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Group. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group relies on bank borrowings and advance from related companies as significant sources of liquidity during the reporting period. The Group has available unutilised borrowing facilities of HK$123,796,000 (2015: HK$244,961,000) as at 31 December 2016.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the applicable interest rate at the end of each reporting period.

	Weighted average effective interest rate	On demand	Less than 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31.12.2016							
Non-derivative financial liabilities							
Trade and other payables	–	14,029	283,063	–	3,021	300,113	300,113
Amount due to an associate	–	270	–	–	–	270	270
Amount due to a joint venture	–	–	–	–	–	–	–
Amount due to a related company	–	–	–	–	–	–	–
Bank borrowings	2.72	145,400	–	–	–	145,400	145,400
Obligations under finance leases	3.50	–	264	264	303	831	792
		159,699	283,327	264	3,324	446,614	446,575
31.12.2015							
Non-derivative financial liabilities							
Trade and other payables	–	29,275	230,105	–	2,596	261,976	261,976
Amount due to an associate	–	339	–	–	–	339	339
Amount due to a joint venture	–	2	–	–	–	2	2
Amount due to a related company	–	49	–	–	–	49	49
Bank borrowings	3.10	98,595	–	–	–	98,595	98,595
Obligations under finance leases	5.90	–	331	306	431	1,068	1,019
		128,260	230,436	306	3,027	362,029	361,980

The amounts included above for bank borrowings comprised term loans from banks with a requirement on demand clause. The maturity analysis of the term loans based on agreed scheduled repayments set out in the loan agreements is summarised as follows. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors of the Company believe that the term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments

	Less than 6 months	6 months 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016	49,157	–	–	49,157	48,897
As at 31 December 2015	52,047	–	–	52,047	51,836

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those effective interest rates determined at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

Fair value measurements of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Total *HK$'000*
At 31 December 2016			
Held for trading investments	995	–	995
At 31 December 2015			
Held for trading investments	929	–	929

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	**Fair value** **2016** *HK$'000*	**2015** *HK$'000*	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Held for trading investments – Quoted investment fund *(note 23)*	995	929	Level 1	Quoted market bid price

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% or HK$1,500 per month in maximum of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

On Time Express Co, Ltd. ("OT China") is member of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on a certain percentage of the salaries of employees of OT China, are charged to the profit or loss in the period to which they relate and represent the amount of contributions payable by OT China to the scheme.

The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in other jurisdictions where the Group operates. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes. The Group is required to make contributions to the retirement schemes up to time of retirement of the eligible employees, excluding those employees who resigned before their retirements, at a percentage that is specified by the local governments.

During the year ended 31 December 2016, the total cost charged to profit or loss of HK$26,935,000 (2015: HK$24,732,000) respectively represents contributions payable to these schemes by the Group. As at 31 December 2016 and 31 December 2015, contributions of HK$3,898,000 and HK$3,506,000 respectively due in respect of the reporting period had not been paid over to the schemes.

37. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities representing guarantees on payment to certain airline suppliers of the Group for the Group's cargo space purchase and bank borrowings granted to the Group at the end of the reporting period:

	2016	**2015**
	HK$'000	*HK$'000*
Trade receivables	119,615	57,919
Held for trading investments	995	929
Pledged bank deposits	10,747	11,976
	131,357	70,824

38. OPERATING LEASES

The Group as a lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Within one year	1,655	1,358
In the second to fifth year inclusive	78	357
	1,733	1,715

The properties held by the Group for rental purpose have committed tenants from 1 to 5 years.

The Group as a lessee

At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases in respect of various offices, quarters and motor vehicles are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Within one year	50,509	51,313
In the second to fifth year inclusive	92,432	77,509
Over five years	1,140	8,665
	144,081	137,487

As at 31 December 2016, included in the above future minimum lease payments for related companies are HK$8,672,100 (2015: HK$2,914,800).

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease terms at market rate.

39. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 21 June 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20 June 2024. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 2,782,000, representing 0.67% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on its listing date on 11 July 2014, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of specific categories of options are as follows:

The following table discloses movements of the Company's share options held by directors and employees during the year:

	Number of share options
Outstanding as at 1 January 2015	–
Granted during the year	3,012,000
Lapsed of share options due to departure of an employee	(130,000)
Outstanding as at 31 December 2015 and 1 January 2016	2,882,000
Lapsed of share options due to departure of an employee	(100,000)
Outstanding as at 31 December 2016	2,782,000

Options were granted on 26 January 2015.

The following assumptions were used to calculate the fair value of the share options

Grant date share price	HK$1.65
Exercise price	HK$1.65
Expected life	4 years
Expected volatility	30.02%
Dividend yield	0.00%
Risk-free interest rate	0.896%

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by using the historical volatility of the Company's share price since its shares listed on 11 July 2014. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$585,000 for the year ended 31 December 2016 (2015: HK$539,000) in relation to share options granted by the Company.

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$467,000 (2015: HK$443,000).

41. RELATED PARTY TRANSACTIONS

Other than set out in these consolidated financial statements, the Group has entered into the following related party transactions:

	2016 *HK$'000*	**2015** *HK$'000*
Associates		
OT Bangladesh		
– Freight income received	361	709
– Freight charge paid	27,908	25,492
OT WW Dubai		
– Freight income received	1,222	10
– Freight charge paid	1,306	1,706
– Management fee income received	253	18
OT Abu Dhabi		
– Freight income received	82	–
– Freight charge paid	26	9
– Management fee income	3	1
VGL HK		
– Freight income received	906	1,794
– Freight charge paid	306	112
– Management fee income received	27	24
– Loan interest income	25	17
VGL China		
– Freight income received	1,555	–
– Freight charge paid	763	–
– Management fee income received	47	35
OT Sri Lanka		
– Freight income received	115	–
– Freight charge paid	7,851	–
– Management fee income received	302	–
Joint venture		
OTX Logistics Rotterdam B.V.		
– Freight income received	29,774	23,996
– Freight charge paid	3,021	2,711
Related companies controlled by Mr. Lam		
First Choice International Limited		
– Rental expenses	1,140	1,020
On Good Development Limited		
– Rental expenses	1,835	1,448
Related company controlled by Mr. Dennis Ronald de Wit		
T.Y.D. Holding B.V.		
– Management fee paid	–	1,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

41. RELATED PARTY TRANSACTIONS (CONTINUED)

None of the above related party transactions during the year ended 31 December 2016 constitutes connected transaction or continuing connected transaction which is subject to shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (2015: nil).

The remuneration of directors of the Company and other members of key management of the Group during the year was as follows:

	2016 *HK$'000*	**2015** *HK$'000*
Staff costs excluding retirement benefit contributions	14,362	15,591
Retirement benefit contributions	423	320
	14,785	15,911

The remuneration of key management is determined having regard to the performance of individuals and market trends.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	2016 *HK$'000*	**2015** *HK$'000*
Non-current asset		
Interest in a subsidiary *(note i)*	446,221	427,167
Current assets		
Other receivables and prepayments	306	375
Bank balances and cash	33,865	36,844
	34,171	37,219
Current liability		
Other payables	6,926	761
Net current assets	27,245	36,458
Total assets less current liability	473,466	463,625
Capital and reserves *(note ii)*		
Share capital	41,280	41,457
Reserves	432,186	422,168
	473,466	463,625

Notes:

(i) The investment represents unlisted investment cost on 100% equity interest in OT BVI and capital contribution to subsidiaries.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes: (Continued)

(ii) Capital and reserves

	Share capital	Share premium	Share options reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	41,500	420,338	–	(2,572)	459,266
Profit for the year	–	–	–	10,943	10,943
Total comprehensive expense for the year	–	–	–	10,943	10,943
Repurchase and cancellationof ordinary shares	(43)	–	–	–	(43)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(440)	–	–	(440)
Recognition of equity settled share-based payment	–	–	539	–	539
Lapse of equity settled share-based payment	–	–	(15)	15	–
Dividend paid to shareholders *(note 13)*	–	–	–	(6,640)	(6,640)
At 31 December 2015	41,457	419,898	524	1,746	463,625
Profit for the year	–	–	–	16,649	16,649
Total comprehensive expense for the year	–	–	–	16,649	16,649
Repurchase and cancellation of ordinary shares	(177)	–	–	–	(177)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(1,850)	–	–	(1,850)
Recognition of equity settled share-based payment	–	–	585	–	585
Lapse of equity settled share-based payment	–	–	(19)	19	–
Dividend paid to shareholders *(note 13)*	–	–	–	(5,366)	(5,366)
At 31 December 2016	41,280	418,048	1,090	13,048	473,466

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Place of operation	Principal activities
			2016	2015		
Gold Forum International Limited	BVI 3 May 2011	US$50,000	100%	100%	Hong Kong	Investment holding
Harbour Zone Limited	BVI 4 January 2011	US$50,000	100%	100%	Hong Kong	Investment holding
Jumbo Channel Limited	BVI 4 May 2011	US$50,000	100%	100%	Hong Kong	Investment holding
On Time Worldwide Logistics Limited	BVI 3 March 2011	US$50,000	100%	100%	Hong Kong	Investment holding
On Time Worldwide Logistics Limited	Cambodia 4 November 2010	KHR4,000,000	70%	70%	Cambodia	Provision of freight forwarding services
OTX Logistics Canada Limited	Canada 15 April 2011	CAD10	51%	51%	Canada	Provision of freight forwarding services
Champion Kind Limited 聯恩有限公司 ("Champion Kind")	Hong Kong 10 July 2015	HK$800,000	55% *(note 1)*	55%	Hong Kong	Investment holding
Citynet 聯城物流環球有限公司	Hong Kong 17 September 1999	HK$2	100%	100%	Hong Kong	General sales agency
eTotal Solution Limited	Hong Kong 9 June 2015	HK$3,000,000	100%	100%	Hong Kong	Provision of freight forwarding service and investment holding
Holicbuy Company Limited 海品匯有限公司	Hong Kong 30 May 2014	HK$10,000	70%	70%	Hong Kong	E-commerce
Mega Glory International Trading Limited 白匯團際貿易有限公司 ("Mega Glory")	Hong Kong 22 May 2015	HK$10,000	51% *(note 1)*	51%	Hong Kong	Inactive

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2016	2015	Place of operation	Principal activities
Mega Wise Group Limited 百睿集團有限公司 ("Mega Wise")	Hong Kong 6 November 2015	HK$3,800,000	51% *(note 1)*	51%	Hong Kong	Inactive
On Time Aviation Services Limited 先達航材服務有限公司	Hong Kong 11 April 2011	HK$10,000	100%	100%	Hong Kong	Contract Logistic
OT HK 先達國際貨運有限公司	Hong Kong 18 July 1995	HK$20,000,000	100%	100%	Hong Kong	Provision of freight forwarding services and investment holding
On Line Service Limited	Hong Kong 17 December 2009	HK$10,000	100%	100%	Hong Kong	Inactive
OT SL HK 先達航運有限公司	Hong Kong 15 September 2004	HK$10,000	100%	100%	Hong Kong	Issuing of bills of lading
On Time Worldwide Limited	Hong Kong 12 July 2011	HK$10,000	75%	75%	Hong Kong	Provision of freight forwarding services
OT WW HK 先達環球物流有限公司	Hong Kong 30 April 2004	HK$500,000	100%	100%	Hong Kong	Provision of warehousing services
On Union HK 安聯管理有限公司	Hong Kong 8 December 2003	HK$10,000	100%	100%	PRC	Properties holding
On Time International Logistics Private Limited	India 12 January 2010	INR33,146,690	100%	100%	India	Provision of freight forwarding service
PT. On Time Express	Indonesia 22 February 2000	US$200,000	95%	95%	Indonesia	Provision of freight forwarding service

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Place of operation	Principal activities
			2016	**2015**		
On Time Worldwide Logistics Limited	Japan 28 November 2011	JPY20,000,000	100%	100%	Japan	Provision of forwarding brokerage services
On Time Worldwide Logistics Ltd.	Korea 20 January 2006	KRW300,000,000	51%	51%	Korea	Provision of freight forwarding services
City Net Global Cargo Sdn. Bhd.	Malaysia 2 April 2012	RM100	100%	100%	Malaysia	Inactive
On Time International Logistics Sdn. Bhd. ("OT Int'I Malaysia")	Malaysia 4 December 2002	RM230,000	60% *(note 2)*	60%	Malaysia	Inactive
On Time Worldwide Logistics Sdn. Bhd.	Malaysia 25 November 2004	RM1,500,000	100%	100%	Malaysia	Provision of freight forwarding services
先達國際貨運(上海)有限公司@ OT China*	PRC 10 October 2004	RMB12,000,000	100%	100%	PRC	Provision of freight forwarding services
深圳前海易達跨境電子商務有限公司@ eTotal Solution Co. Ltd.* ("eTotal China")	PRC 26 July 2016	–	100% *(note 3)*	N/A	PRC	Provision of freight forwarding services
深圳市前海海品滙電子商務有限公司@ Holicbuy Company Limited* ("Holicbuy China")	PRC 19 August 2016	–	100% *(note 4)*	N/A	PRC	Inactive
On Time Worldwide Logistics Pte. Ltd. ("OT Singapore")	Singapore 22 June 2006	SGD110,000	100% *(note 5)*	70%	Singapore	Provision of freight forwarding services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2016	2015	Place of operation	Principal activities
OTWL – On Time Worldwide Logistics Ltd. 先達環球物流有限公司	Taiwan 8 December 2005	TWD7,500,000	100%	100%	Taiwan	Provision of freight forwarding services
On-Time Worldwide Logistics Limited ("OT Thailand")	Thailand 4 January 2006	THB10,000,000	82.5% *(note 6)*	82.5% *(note 6)*	Thailand	Agent for provision of freight forwarding services
OTX Logistics Holland	The Netherlands 28 May 1998	EUR86,300	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Solutions B.V. ("OTX Solutions Holland")	The Netherlands 19 April 2006	EUR18,000	45% *(note 7)*	45% *(note 7)*	The Netherlands	Provision of freight forwarding services
Westpoort Recon B.V.	The Netherlands 17 December 1993	EUR18,151	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Logistics Inc.	USA 1 October 2011	US$2,000,000	100%	100%	USA	Provision of freight forwarding services
On Time Worldwide Logistics DWC-LLC	United Arab Emirates 25 April 2012	AED300,000	100%	100%	Dubai	Provision of freight forwarding services
On Time Worldwide Logistics (Vietnam) Co., Ltd. ("OT Vietnam")	Vietnam 22 December 2005	US$80,000	100% *(note 8)*	100% *(note 8)*	Vietnam	Provision of freight forwarding services

* The English name is translated for identification purpose only.

@ The company is a wholly-owned foreign enterprise established in the PRC.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

1. Champion kind, Mega Glory and Mega Wise have submitted an application for strike off. As of the date these consolidated financial statements were authorised for issuance, the strike off application has not been completed.

2. OT Int'l Malaysia has submitted an application for strike off. As of the date these consolidated financial statements were authorised for issuance, the strike off application has not been completed.

3. eTotal China was incorporated in the PRC as a limited company on 26 July 2016.

4. Holicbuy China was incorporated in the PRC as a limited company on 19 August 2016.

5. On 27 October 2016, the Group acquired additional 33,000 issued shares, from an independent third party, representing 30% of the entire issued share capital in OT Singapore at a consideration of SGD350,000 (equivalent to HK$1,953,000). The Group owned 100% equity interest after additional shares acquired.

6. 33.5% of the equity interest in OT Thailand is held by a third party on behalf of the Group through loan assignment, share pledge agreement, letter of undertaking and proxy entered by the third party and the Group.

7. OTX Solutions Holland was a wholly-owned subsidiary of OTX Logistics Holland as at 31 December 2011. In 2012, OTX Logistics Holland disposed of 40% interest in OTX Solutions Holland. Following the disposal, OTX Solutions Holland is owned as to 45% by the Group.

8. 49% of the equity interest in OT Vietnam is held by a third party on behalf of the Group through loan agreement, charter capital mortgage agreement, letter of undertaking and proxy entered by the third party and the Group.

9. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

10. None of the subsidiaries had issued any debt securities at the end of the year, or at any time during the year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements.

RESULTS

	Year ended 31 December				
	2016	**2015**	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	2,867,339	3,223,589	3,468,061	3,161,290	2,633,886
Profit before taxation	16,036	65,359	91,747	74,047	58,004
Income tax expense	9,733	13,006	26,463	19,072	13,731
Profit attributable to owners of the Company	4,967	49,900	59,573	46,447	37,830
Profit attributable to non-controlling interests	1,336	2,453	5,711	8,528	6,443

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	**2015**	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	109,233	115,061	107,502	108,513	99,997
Current assets	830,996	750,881	809,710	812,955	684,850
Total assets	940,229	865,942	917,212	921,468	784,847
Current liabilities	461,344	372,775	453,589	558,219	458,880
Total assets less current liabilities	478,885	493,167	463,623	363,249	325,967
Non-current liabilities	16,245	17,676	18,060	15,989	14,170
Net assets	462,640	475,491	445,563	347,260	311,797
Equity					
Share capital	41,280	41,457	41,500	20,670	20,909
Reserves	393,659	404,734	375,783	299,248	272,503
Net assets attributable to owners of the Company	434,939	446,191	417,283	319,918	293,412
Non-controlling interests	27,701	29,300	28,280	27,342	18,385
Total equity	462,640	475,491	445,563	347,260	311,797

GLOSSARY

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"2017 AGM"	the 2017 AGM to be held on 13 June 2017
"AGM"	annual general meeting of the Company
"Articles"	the amended and restated articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Brexit"	British leaving the European Union
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	On Time Logistics Holdings Limited
"Company Secretary"	the secretary of the Company
"Corporate Governance Committee"	the corporate governance committee of the Company
"Director(s)"	the director(s) of the Company
"Executive Committee"	the executive committee of the Company
"FY2015"	the year ended 31 December 2015
"FY2016"	the year ended 31 December 2016
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Date"	11 July 2014, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"MD&A"	the Management Discussion and Analysis
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Prospectus"	the prospectus of the Company dated 30 June 2014
"Remuneration Committee"	the remuneration committee of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value HK$0.1 each in the issued share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 21 June 2014
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	United States of America
"%"	per cent