Annual Report 2014

Gamma Logistics Corporation

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8310

Gamma Corporation

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

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BOARD OF DIRECTORS

Executive Directors

Mr. Ni Xiangrong *(Chairman)*
Mr. Wang Yijun
Mr. Shum Kan Kim
Mr. Lo Ka Man

Non-executive Directors

Mr. Ji Longtao
Mr. Yang Yue Xia

Independent Non-executive Directors

Mr. Luk Chi Shing
Mr. Zhang Fangmao
Mr. Wang Zongbo

AUDIT COMMITTEE

Mr. Luk Chi Shing *(Chairman)*
Mr. Zhang Fangmao
Mr. Wang Zongbo

NOMINATION COMMITTEE

Mr. Ni Xiangrong *(Chairman)*
Mr. Luk Chi Shing
Mr. Zhang Fangmao

REMUNERATION COMMITTEE

Mr. Luk Chi Shing *(Chairman)*
Mr. Lo Ka Man
Mr. Wang Zongbo

COMPANY SECRETARY

Mr. Lam Wing Tai

COMPLIANCE OFFICER

Mr. Lo Ka Man

AUTHORISED REPRESENTATIVES

Mr. Lo Ka Man
Mr. Lam Wing Tai

COMPLIANCE ADVISER

Asian Capital (Corporate Finance) Limited
Suite 601, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3004, 30/F., West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

LEGAL ADVISER

As to PRC law
King & Wood Mallesons
28th Floor, LANDMARK
4028 Jintian Road
Futian District
Shenzhen 518035
China

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank, Ltd
China Citic Bank International Limited
Bank of China (Hong Kong) Limited

STOCK CODE

8310

COMPANY WEBSITE

www.gamma-corporation.com

The board of Directors of the Company (the "**Board**") is pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 (the "**Financial Year**").

BUSINESS REVIEW

The Company's shares were successfully listed on GEM of the Stock Exchange on 22 August 2013.

For the Financial Year, the Group is principally engaged in the provision of integrated logistics freight services with a primary focus on logistics services between Hong Kong and the Pearl River Delta ("**PRD**") region and has the following major business activities during the Financial Year under review.

Our integrated logistics freight services can be divided into below categories during the Financial Year under review:

1. Integrated logistics freight services

(a) Land and ocean freight services

The land and ocean freight services composed as the core business of the Group. During the Financial Year under review, the Group's containers throughput (to and from Hong Kong and PRD region) decreased by 21.7% to approximately 245,000 Twenty-foot Equivalent Units ("**TEU**") for the Financial Year from approximately 313,000 TEUs in the last year. The Group recorded a decrease of 25.6% of revenue in the land and ocean freight services to approximately HK$298.9 million for the Financial Year (2013: HK$401.8 million).

The decrease in revenue was mainly attributable to the decline of the Group's business in integrated logistics freight services. During the Financial Year, the Group implemented a profit optimization strategy with gradual increase in shipping freight charges up to 30% on customers to optimize the return on the shareholders' equity. The Board expected that the profit optimization strategy would incur loss of customers who contribute low profit margin, but it might be able to optimize the profit stream in the future and a more high quality services provided to high profit margin clients. Consequently, it had a negative impact on the revenue and the gross profit margin throughout the Financial Year.

During the Financial Year, the Group had disposed certain redundant and old facilities (e.g. containers, tractors and trailers) and recognized a gain of approximately HK$4.3 million to mitigate the negative impact on the decline in revenue and gross profit margin.

(b) Air freight forwarding services

During the Financial Year, the Group continued to focus on its air freight forwarding services within the East Asia region. The air freight forwarding services income increased to approximately HK$35.8 million for the Financial Year (2013: HK$31.8 million), which is generally in line with the air cargo growth in the East Asia region.

(c) Operation equipment rental services

During the Financial Year, the Group recorded an income from operation equipment rental services of approximately HK$1.9 million (2013: approximately HK$9.6 million). The declined in income from equipment rental services reflected the decrease in containers being transported to and from PRC and Hong Kong during the Financial Year.

2. Supporting services

The Group's income from supporting services comprising of provision of fuel cards and tractor repair and maintenance services and insurance agency services. The relevant income increased to approximately HK$31.0 million for the Financial Year (2013: HK$23.2 million).

(a) Provision of fuel cards

During the Financial Year, the increase in the Group's supporting services income was mainly driven by the increase in income from provision of fuel cards of approximately 33.6% as a result of increased marketing efforts for the promotion discount offered to our clients.

(b) Tractor repair and maintenance services and insurance agency services

Tractor repair and maintenance services and insurance agency services, albeit their contribution to our Group's revenue being relatively insignificant, served as major types of value-added-services to our land and ocean freight clients during the Financial Year. The relevant revenue increased by approximately 31.0% during the Financial Year as compared with the last year.

OUTLOOKS

Looking forward, the Group will continue to engage in the integrated logistics freight services. The Group will also continue to enhance the core business in land and ocean freight services, expand our business in air freight forwarding business and explore other business and investment opportunities to diversify the revenue stream and business portfolios to enhance the interests of the shareholders of the Company.

FINANCIAL REVIEW

The Group's revenue declined by approximately 21.2% to approximately HK$367.6 million for the Financial Year (2013: HK$466.5 million). The decrease in revenue was mainly attributable to the decline of the Group's business in integrated logistics freight services.

The Group's cost of sales decreased by 15.9% to approximately HK$313.6 million for the Financial Year (2013: HK$372.9 million), mainly driven by the decline in revenue from integrated logistics freight services but the fixed cost remained relatively stable.

With the combined effects of revenue and cost of sales, the Company's gross profit margin significant declined by 26.9% to 14.7% for the Financial Year (2013: 20.1%).

The Group's finance costs amounted to approximately HK$1.3 million for the Financial Year (2013: HK$1.3 million), the finance costs consist of interest on bank loans, overdraft and other borrowings as well as the finance charge on obligation under finance lease.

The Group recorded the loss for the Financial Year of approximately HK$18.6 million (2013: profit of approximately HK$12.7 million). The loss attributable to the equity holders of the Company was approximately HK$19.3 million (2013: profit of approximately HK$10.1 million) and the loss per share was 1.98 HK cents (2013: earnings per share was 1.50 HK cents).

Liquidity and financial resources

The Group continued to adopt a prudent financial management policy and has a healthy financial position.

As at 31 December 2014, the Group had net current assets of approximately HK$106.7 million (2013: approximately HK$38.0 million) including bank balances and cash equivalents of approximately HK$92.4 million (2013: approximately HK$36.9 million).

The Group's equity capital and bank borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 December 2014 was 2.61 (2013: 1.35).

As at 31 December 2014, the Group's gearing ratio (defined as the ratio of total debts to total equity) was 7.5% (2013: 28.9%).

Capital structure

As at 31 December 2014, the Group's total equity attributable to equity holders of the Company amounted to HK$128,984,000 (2013: HK$66,950,000). The capital of the Company mainly comprises ordinary shares and capital reserves.

Fund raising activities

Placing of new shares under general mandate

On 30 April 2014, the Company and Kingston Securities Limited, the placing agent entered into the placing agreement, pursuant to which the placing agent agreed to place on a best effort basis, up to 160,000,000 ordinary shares of HK$0.01 each to be issued by way of placing under general mandate at a price of HK$0.272 per share to not fewer than six placees who were independent third parties. The placing price of HK$0.272 represents a discount of approximately 13.65% to the closing price of HK$0.315 as quoted on GEM on the date of the placing agreement. The Company raised approximately HK$43.5 million before deducting related fee and expenses. Related fee and expenses of approximately HK$1.2 million arose from the placing was recognized in the share premium account of the Company. The net proceeds of the placing was approximately HK$42.3 million, represented a net price of HK$0.265 per placing share. Of these net proceeds, around HK$25 million was used as general working capital, and the remaining balance was reserved for intended use and was deposited in financial institutions in Hong Kong. The placing was completed on 16 May 2014. The details of the placing were set out in the Company's announcements dated 30 April 2014 and 16 May 2014.

On 3 July 2014, the Company and Kingston Securities Limited, the placing agent entered into the placing agreement, pursuant to which the placing agent agreed to place on a best effort basis, up to 160,000,000 ordinary shares of HK$0.01 each to be issued by way of placing under general mandate at a price of HK$0.25 per share to not fewer than six placees who were independent third parties. The placing price of HK$0.25 represents a discount of approximately 15.25% to the closing price of HK$0.295 as quoted on GEM on the date of the placing agreement. The Company raised HK$40 million before deducting related fee and expenses. Related fee and expenses of approximately HK$1.1 million arose from the placing was recognized in the share premium account of the Company. The net proceeds of the placing was approximately HK$38.9 million, represented a net price of HK$0.243 per placing share. Of these net proceeds intended to be used for general working capital and/or future investments of the Group, with an aim to diversify the business portfolios and/or income stream of the Group and was deposited in financial Institution in Hong Kong. The placing was completed on 17 July 2014. The details of the placing were set out in the Company's announcements dated 3 July 2014 and 17 July 2014.

Dividend

The Board does not recommend the payment of a dividend for the Financial Year (2013: Nil).

Proposed change of company name

On 11 March 2015, the Board proposed to change the English name of the Company from "Gamma Logistics Corporation" to "Dafeng Port Heshun Technology Company Limited", and adopt "大豐港和順科技股份有限公司" as the dual foreign name in Chinese of the Company to replace its existing Chinese name "伽瑪物流集團", which is currently used for identification purpose only (the "**Change of Company Name**"). A circular containing, among other things, details of the proposed Change of Company Name and a notice convening the general meeting will be dispatched to the Shareholders as soon as practicable. Details of the proposed Change of Company Name were set out in the Company's announcement dated 11 March 2015.

Significant investment

Save as disclosed in this report, the Group did not have any significant investment as at 31 December 2014.

Future plans for material investments or capital assets

Save as disclosed in this report, there was no specific plan for material investments or capital assets as at 31 December 2014.

Material acquisitions and disposals of subsidiaries and associated companies

The Group has no material acquisitions and disposals of subsidiaries and associated companies during the Financial Year.

Pledge of assets

The Group used facilities from its bank and other borrowings to finance its expansion of its business. Secured borrowings are secured by the Group's property, plant and equipment, having carrying amounts of approximately HK$4.0 million (2013: HK$3.7 million), and pledged bank deposits of HK$0.2 million (2013: HK$0.4 million).

Foreign currency exposure

The Directors considered the Group's foreign exchange risk to be insignificant. During the Financial Year, the Group did not use any financial instruments for hedging purposes.

Employees and emolument policy

As at 31 December 2014, the Group employed a total of 321 employees (2013: 347 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK$63.5 million (2013: HK$62.8 million).

The Group reviews the emoluments of its directors and staff based on the qualification, experience performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level.

Contingent liabilities

As at 31 December 2014, the Group had no material contingent liabilities (2013: Nil).

Comparison between future plans and prospects and actual business progress

An analysis comparing the future plans and prospects as contained in the prospectus of the Company dated 14 August 2013 ("**Prospectus**") with the Group's actual business progress from 7 August 2013, being the latest practicable date as defined in the Prospectus, to 31 December 2014 (the "**Relevant Period**") is set out below:

		Future plans and prospects	Actual business progress during the Relevant Period
1.	Expanding core business	Explore new route In the PRD region	The Group is exploring new route In the PRD region
2.	Value-added logistics services	Research and development of Vendor Inventory System (the "**VIM System**")	The Group is selecting VIM Systems that are available in the market for customization
3.	Expanding air-freight forwarding services	Explore business opportunities	The Group's managements has been exploring suitable opportunities with new airline companies for new Airline General Sales & Services Agency (the "**GSSA**") partnerships
4.	Trade centre development	Identify potential land to build trade centre	The Group is assessing the presented proposals land for trade centre in the area of PRC
5.	Repayment of loans	Repayment of loans	The loan has been duly repaid as planned
6.	Acquiring the remaining interest of Win Top Shipping Company Limited ("**Win Top**"), a subsidiary company of the Group	Complete acquisition of Win Top	The acquisition has been completed

Use of proceeds

The net proceeds from the listing by way of placing ("**Placing**") were approximately HK$40 million, being the same amount as disclosed in the Prospectus. During the Relevant Period, the net proceeds from the Placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus during the Relevant Period (HK$ million)	Actual use of proceeds during the Relevant Period (HK$ million) (Approximate)
Expanding the market share of our Group's core business	2.00	2.00
Developing high value-added logistics service and distribution service for international brands in Hong Kong	8.00	0.00
Expanding air-freight forwarding business	5.10	0.50
Developing an area as a centre for the clients to store, inspect and check the quality of clients' goods with other value-added services	1.00	0.00
Repayment some existing loans	2.60	2.60
Acquiring the remaining interests of Win Top	13.00	13.00
Total	31.70	18.10

Notes:

a. Save as above, HK$3.5 million had been applied as general working capital of the Group.

b. The future plans and prospects as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The uses of proceeds were applied in accordance with the actual development of the markets:

1. The Group is selecting VIM Systems that are available in the market for customization, however, no actual capital has been invested in the development of VIM Systems.

2. The Group's managements has been exploring suitable opportunities with new airline companies for new GSSA partnerships to expand its GSSA network, however, no actual capital has been invested in the process.

3. The loan of HK$2.60 million has been repaid as planned during the Relevant Period.

4. The transaction has been completed during the Relevant Period and the Group's interest in Win Top and its wholly-owned subsidiary have been increased to 100%.

Ni Xiangrong
Chairman

Hong Kong
24 March 2015

EXECUTIVE DIRECTORS

Mr. Ni Xiangrong ("**Mr. Ni**"), aged 60, is an executive Director, the chairman of the Group and the chairman and member of the Nomination Committee. He was the director of 江蘇大豐港經濟開發區管理委員會 (Management Committee of Jiangsu Dafeng Port Economic Development Zone*) during the period from February 1999 to December 2014. Mr. Ni is the chairman and the legal representative of 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbor Holdings Limited*) and the director of Dafeng Port Overseas Investment Holdings Limited, the controlling shareholder of the Company (the "**Controlling Shareholder**").

Mr. Wang Yijun ("**Mr. Wang**"), aged 48, is an executive Director. He was serving as the deputy director of Management Committee of Jiangsu Dafeng Port Economic Development Zone during the period from November 2007 to December 2014. He is also the director of Dafeng Port (HK) Development Limited, the executive director and general manager of 江蘇大豐港和順科技公司 (Jiangsu Dafeng Harbor Heshun Technology Company Limited*) and the director of the Controlling Shareholder.

Mr. Shum Kan Kim ("**Mr. Shum**"), aged 52, is an executive Director. He was a director of Zhejiang Unifull Industrial Fibre Co., Ltd (stock code: 002427), a company listed on the Shenzhen Stock Exchange, from November 2008 to November 2011. Mr. Shum is serving as the company secretary of Dafeng Port (HK) Development Limited and a director and the company secretary of the Controlling Shareholder.

Mr. Lo Ka Man ("**Mr. Lo**"), aged 37, is an executive Director, the chief executive officer of the Group, a member of the Remuneration Committee and directors of certain subsidiaries of the Company. He joined the Group in 2005 and is responsible for the corporate strategic planning, execution and day-to-day management and administration of the Group's business and operation. Mr. Lo holds a Bachelor degree of Science from McGill University in Canada. Prior to joining the Group, he served as a system developer and subsequently as the general manager of Verville Transport, a private company principally engaged in land transportation, warehousing and related logistics service in Canada and the US, from 2002 to 2005. Mr. Lo is a member of the 14th Political Consultative Committee of Ning Po City, Zhejiang Province, China. He is the son of Mr. Lo Wong Fung, who was an executive Director and the chairman of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Ji Longtao ("**Mr. Ji**"), aged 50, is a non-executive Director. He owns 55% equity interest in each of Success Pacific Investment Group Limited ("**Success Pacific**") and 江蘇華海投資有限公司 (Jiangsu Huahai Investment Limited*) ("**Jiangsu Huahai**"), which in turn own 18% and 10% equity interest in the Controlling Shareholder respectively. Mr. Ji owns 50% equity interest of 鹽城市龍橋置業有限公司 (Yancheng Longqiao Property Development Limited*), which is engaged in property development and investment. He is the director of the Controlling Shareholder and the executive director of Success Pacific and Jiangsu Huahai, both of which are engaged in investment and asset management businesses.

Mr. Yang Yue Xia ("**Mr. Yang**"), aged 42, is a non-executive director (re-designated from executive Director to no-executive Director with effect from 12 March 2015). He has many years of experience in corporate management. Mr. Yang is currently a director of 深圳市融成投資有限公司 (Shenzhen Rong Cheng Investment Company*) and directors of certain subsidiaries of the Company. He gained working experience across different industries such as trading and property development.

* *For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Luk Chi Shing ("**Mr. Luk**"), aged 46, is an independent non-executive Director, the chairmen and members of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. He has extensive experience in financial management, auditing and public listed companies for over 15 years. Mr. Luk is an executive director of Tai Shing International (Holdings) Limited (stock code: 8103) and an independent non-executive director of China Mobile Games and Cultural Investment Limited (formerly known as Computech Holdings Limited, stock code: 8081), both of which are companies listed on GEM. He holds a Bachelor Degree of Arts in Accountancy from City University of Hong Kong. Mr. Luk is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Zhang Fangmao ("**Mr. Zhang**"), aged 50, is an independent non-executive Director and members of the Audit Committee and the Nomination Committee. He has over 15 years of experience in import and export businesses in the People's Republic of China ("**PRC**"). Mr. Zhang served as a chief manager in 中國深圳經濟特區對外貿易（集團）公司 (China Shenzhen Economic Special Zone Foreign Trade (Group) Corporation*), a state-owned enterprise. He is a director of 深圳市澳德投資顧問有限公司 (Shenzhen AUDE Investment Consulting Co., Ltd.*). Mr. Zhang holds an Undergraduate degree in Finance from Shenzhen University.

Mr. Wang Zongbo ("**Mr. Wang Zongbo**"), aged 37, is an independent non-executive Director and members of the Audit Committee and the Remuneration Committee. He has over 10 years of experience in the field of finance. Mr. Wang Zongbo is a general manager of 深圳昊天股權投資基金管理有限公司 (Shenzhen Hao Tian Equity Investment Funds Management Co., Ltd.*) and a director of Kunming Chuan Jin Nuo Stock Co., Ltd. He holds a Bachelor degree in Economics from Wuhan University.

* *For identification purposes only*

The Board herein present their report together with the audited consolidated financial statements of the Group for the Financial Year.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of integrated logistics freight services with a primary focus on logistics services between Hong Kong and the PRD region.

FINANCIAL RESULTS

The Group's loss for the Financial Year and the state of affairs of the Company and of the Group at the date are set out in the consolidated financial statements on pages 29 to 90.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the Financial Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Financial Year, the aggregate amount of turnover attributable to the Group's largest and the five largest customers are accounted for 11.0% and 30.0% (2013: 7.2% and 22.3%) of the total value of the Group's revenue, respectively.

For the Financial Year, the aggregate amount of cost of sales attributable to the Group's largest and the five largest suppliers are accounted for 12.6% and 46.1% (2013: 9.5% and 36.9%) of the total value of the Group's cost of sales, respectively.

Based on the information publicly available to the Company and to the best knowledge of the Directors, none of the Directors, their associates, or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had interest in any of the Group's five largest customers or suppliers during the Financial Year.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the Financial Year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

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

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

During the Financial Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to Shareholders comprising share premium account and accumulated losses amounted to approximately HK$78.9 million. Details of the Company's distributable reserves as at 31 December 2014 are set out in note 24 to the consolidated financial statements. Movements in reserves of the Group during the Financial Year are set out in the consolidated statement of changes in equity on page 32.

PROPERTIES

The Group did not own any major property or property interests as at 31 December 2014.

INTEREST CAPITALISED

No interest was capitalised by the Group during the Financial Year.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 91 of this report.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Ni Xiangrong *(Chairman)* (appointed on 23 February 2015)
Mr. Wang Yijun (appointed on 23 February 2015)
Mr. Shum Kan Kim (appointed on 23 February 2015)
Mr. Lo Ka Man
Mr. Lo Wong Fung, JP (resigned on 12 March 2015)
Mr. Jiang Tan Shan (appointed on 21 February 2014 and resigned on 12 March 2015)
Ms. Leung Wai Ching (resigned on 1 April 2014)

Non-executive Directors

Mr. Ji Longtao (appointed on 23 February 2015)
Mr. Yang Yue Xia (re-designated from executive Director on 12 March 2015)
Mr. Ho Chi Ho (appointed on 1 January 2014 and resigned on 12 March 2015)

Independent Non-executive Directors

Mr. Luk Chi Shing (appointed on 21 February 2014)
Mr. Zhang Fangmao (appointed on 1 June 2014)
Mr. Wang Zongbo (appointed on 1 June 2014)
Mr. Lam Ying Hung, Andy (resigned on 12 June 2014)
Mr. Zschiesche, Gustav (resigned on 12 June 2014)
Mr. Hung Chiu Shing, Wilson (resigned on 1 April 2014)

Biographical details of the Directors currently in service are set out on pages 10 to 11 of this report.

In accordance with article 83(3) of the Articles of Association of the Company (the "**Articles**"), Mr. Ni Xiangrong, Mr. Wang Yijun, Mr. Shum Kan Kim as executive Directors, Mr. Ji Longtao as a non-executive Director, Mr. Zhang Fangmao and Mr. Wang Zongbo as independent non-executives Directors were appointed by the Board and will hold office until the annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with article 84(1) of the Articles, Mr. Yang Yue Xia as a non-executive Director will retire from office by rotation at the annual general meeting of the Company and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2014, the interests and short positions of each Director and chief executives 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 Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of Director	Capacity/ Nature of interests	Number of shares held	% of the Company's issued share capital (Approximate)
Mr. Lo Wong Fung	Interest of a controlled corporation (Note)	520,000,000	46.43%

Note: The shares were held by Golden Fame International Investments Group Limited ("**GFII**"), of which Mr. Lo Wong Fung is legally and beneficially owned as to 40% of the entire issued share capital. Under the SFO, Mr. Lo Wong Fung is deemed to be interested in the shares registered in the name of GFII.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and to recognise and acknowledge the contributions that eligible persons had made or may make to our Group. The Scheme has been adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 3 August 2013. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options were granted, exercised or cancelled by the Company under the Scheme during the Financial Year and there were no outstanding share options under the Scheme as at 31 December 2014 and at the date of this report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Number of shares held (Note 1)	% of the Company's issued share capital (Approximate)
GFII (Note 2)	Beneficial owner	520,000,000 (L)	46.43%
Smart Oriental Limited (Note 3)	Interest of controlled corporation	520,000,000 (L)	46.43%
Loyal Fine Limited	Interest of controlled corporation	520,000,000 (L)	46.43%

Notes:

1. The letter "L" denotes a long position in the interest in the issued share capital of the Company.

2. GFII, a company incorporated in Hong Kong and an investment holding company, is beneficially owned as to 40% by Smart Oriental Limited, as to 20% by B & O Global Invest Limited and as to the remaining 40% by Mr. Lo Wong Fung.

3. Smart Oriental Limited is a company incorporated under the laws of the British Virgin Islands and is directly held as to 100% by Loyal Fine Limited. Loyal Fine Limited is a company incorporated under the laws of the British Virgin Islands and is directly held as to 100% by Forefront Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 885).

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CHANGE OF CONTROLLING SHAREHOLDER AND MANDATORY CONDITIONAL CASH OFFER

On 22 January 2015, Dafeng Port Overseas Investment Holdings Limited ("**Dafeng Port**" or the "**Offeror**") and GFII entered into a sale and purchase agreement (the "**SP Agreement**") in respect of the acquisition by the Offeror of the 520,000,000 shares of the Company (the "**Sale Shares**") for a consideration of HK$197,600,000 (being HK$0.38 per Sale Share). The Sale Shares represented approximately 46.43% of the entire issued share capital of the Company. Completion of the SP Agreement took place on 23 January 2015. Immediately after the completion of the SP Agreement, the Offeror was interested in 520,000,000 Sale Shares, representing approximately 46.43% of the existing issued share capital of the Company.

On 30 January 2015, Somerley Capital Limited and Kingston Securities Limited, on behalf of Dafeng Port, made mandatory conditional cash offer (the "**Share Offer**") to acquire all the outstanding issued shares of the Company (the "**Offer Shares**") (other than those shares already owned by Dafeng Port and parties acting in concert with it) in accordance with the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**").

On 11 March 2015, the Offeror had received valid acceptances of 220,020,000 Offer Shares (the "**Acceptance Shares**"), representing approximately 19.64% of the existing issued share capital of the Company. Taking into account the Acceptance Shares and 520,000,000 Shares held by the Offeror and parties acting in concert with it, they were interested in an aggregate of 740,020,000 Shares, representing approximately 66.07% of the total issued share capital of the Company. Accordingly, the condition of the Share Offer had been fulfilled and had become unconditional in all aspects on 11 March 2015. Pursuant to the Takeovers Code, the Share Offer will remain open for acceptance for a period of no less than 14 days after the Share Offer becomes unconditional in all aspects. Accordingly, the latest time and date for the Share Offer extended to 4:00 p.m. on 25 March 2015 (or such other time as the Offeror may further determine and announce with the consent of the Executive in accordance with the Takeovers Code), being the latest time and date for the Share Offer to remain open for acceptance.

Details of the SP Agreement and the Share Offer, please refer to the joint announcements of Dafeng Port and the Company dated 30 January 2015, 18 February 2015, 27 February 2015 and 11 March 2015 and the composite offer and response document dated 18 February 2015 jointly issued by the Offeror and the Company.

DIRECTORS' ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, neither the Directors nor any of their spouses or children under the age of 18 had any right to subscribe for the securities or debt securities of the Company or had exercised any such right.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party to and in which any of the Company's directors or members of its management had a material interest in, whether directly or indirectly, subsisted at the end of the Financial Year or at any time during the Financial Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Financial Year.

CONNECTED TRANSACTION

During the Financial Year, the Directors are not aware of any related party transactions as disclosed in note 27 to the consolidated financial statements which constituted a connected transaction or continuing connected transaction of the Group under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and the laws in the Cayman Islands, which would oblige the Company to offer shares on a pro rata basis to its existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float in the issued share capital of the Company under the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Asian Capital (Corporate Finance) Limited ("**Asian Capital**"), the compliance adviser of the Company, neither Asian Capital nor its directors or employees or associates had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 December 2014, except as disclosed in the Prospectus.

Asian Capital received and will receive fees for acting as the compliance adviser of the Company.

COMPETING INTERESTS

None of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 31 December 2014 which may, directly or indirectly, compete with the Group's business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the Financial Year.

CORPORATE GOVERNANCE CODE

A detailed corporate governance report is set out in pages 19 to 27 in this report.

EVENT AFTER THE REPORTING PERIOD

Save as the change of a controlling shareholder and proposed change of company name disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2014 and up to the date of this report.

AUDITORS

LKY China and Mazars CPA Limited acted as the joint auditors of the Group for the years ended 31 December 2012 and 2013. On 8 January 2015, LKY China had resigned as one of the joint auditors of the Group as they were unable to reach agreement with the Company on the level of the proposed audit fee for year. Mazars CPA Limited remains as the sole auditor of the Group for the year ended 31 December 2014.

The consolidated financial statements of the Company for the year ended 31 December 2014 were audited by Mazars CPA Limited.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Mazars CPA Limited as auditor of the Company.

By Order of the Board
Gamma Logistics Corporation
Ni Xiangrong
Chairman

Hong Kong, 24 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance. The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules.

The Directors consider that the Company has complied with the CG Code throughout the Financial Year, with the exception of the following deviations as set out in the relevant section below. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors.

DIRECTORS' SECURITIES TRANSACTIONS

Conduct on share dealings

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiries to all the Directors who have confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the Financial Year. No incident of non-compliance was noted by the Company during the Financial Year.

CORPORATE MANAGEMENT

Board of directors

Composition

As at the date of this report, the Board is comprised of 9 members including 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The biographical details are set out on pages 10 to 11 of this report. In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules and for the Financial Year, the number of independent non-executive Directors at all times exceeded one-third of the Board membership. As announced by the Company on 18 February 2015, the appointments of Mr. Ni Xiangrong, Mr. Wang Yijun and Mr. Shum Kan Kim as executive Directors, and Mr. Ji Longtao as a non-executive Director, with effect from 23 February 2015, the Board consisted of twelve Directors, among which only three of them were independent non-executive Directors. The number of independent non-executive Directors fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules. Following the resignations of Mr. Lo Wong Fung and Mr. Jiang Tan Shan as executive Directors and Mr. Ho Chi Ho as a non-executive Director on 12 March 2015, the Company had complied with Rules 5.05(1) and (2) of the GEM Listing Rules.

The Company has received written confirmation from each independent non-executive Director of his independence to the Company in accordance with the guidelines set out in Rule 5.09 of the GEM Listing Rules.

Directors' training

All Directors should keep abreast of the responsibilities as a Director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable training for its directors. During the year, the Company had organized a professional seminar conducted by a professional firm for Directors and executives to explain the new amendments to the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. All Directors including newly appointed Directors would receive such training reading materials.

All Directors confirmed that they have complied with the code provision A.6.5 on directors' training. During the year, all Directors have participated in continuous professional development by reading materials or attending seminars/briefing sessions to develop and refresh their knowledge and skills and provided a record of training to the Company.

Board process

The Board meets regularly throughout the Financial Year to discuss the overall strategy as well as the operational and financial performance of the Group. The Board delegates necessary powers and authorities to the executive Directors to facilitate the efficient day to day management of the Group's business. During the Financial Year, the Board held 21 scheduled full board meetings. In addition, executive Board meetings are convened when necessary to deal with day-to-day matters that require the Board's prompt decision, and therefore usually only executive directors attend. Individual attendance records on full board meetings and committees meetings are set out on page 21 of this report. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolutions subject to certain exceptions set out in the Articles. The Company Secretary maintains minutes of the Board meetings for inspection by Directors. All Directors have access to the services of the Company Secretary who regularly updates the Board on corporate governance and regulatory matters. Any Director, Audit Committee member, Remuneration Committee member and Nomination Committee member of the Company may take independent professional advice at the expense of the Company should they so wish.

Board and board committee attendance

The following table indicates the number of Board meetings, committee meetings and general meeting throughout the Financial Year, and the number of attendance by each of the Directors:

	Number of meetings attended/held				
Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Lo Wong Fung	19/21	–	–	3/3	1/1
Mr. Lo Ka Man	20/21	–	2/2	–	1/1
Mr. Yang Yue Xia	20/21	–	–	–	1/1
Mr. Jiang Tan Shan (note 1)	15/20	–	–	–	0/1
Ms. Leung Wai Ching (note 2)	2/2	–	–	–	–
Non-executive Director					
Mr. Ho Chi Ho (note 3)	16/21	–	–	–	1/1
Independent Non-executive Directors					
Mr. Luk Chi Shing (note 1)	20/20	4/4	2/2	2/2	1/1
Mr. Zhang Fangmao (note 4)	12/12	2/2	–	–	–
Mr. Wang Zongbo (note 4)	12/12	2/2	–	–	–
Mr. Lam Ying Hung, Andy (note 5)	8/10	2/2	2/2	–	0/1
Mr. Zschiesche Gustav (note 5)	5/10	2/2	–	2/3	0/1
Mr. Hung Chiu Shing, Wilson (note 2)	2/3	1/1	2/2	1/2	–

Notes:

1. appointed on 21 February 2014
2. resigned on 1 April 2014
3. appointed on 1 January 2014
4. appointed on 1 June 2014
5. resigned on 12 June 2014

Pursuant to code provision A.6.7, independent non-executive directors should attend general meetings. Mr. Lam Ying Hung, Andy and Mr. Zschiesche, Gustav (both resigned as independent non-executive Directors on 12 June 2014), were unable to attend an annual general meeting of the Company held on 15 May 2014 due to their other prior engagements.

During the Financial Year, a meeting of the Chairman and the independent non-executive Directors without presence of the executive Directors and the management was held to discuss and review the performance of the executive Directors and the management.

Directors' duties

The Board in charge of leadership and supervision on the Group's affairs and is collectively responsible for promoting the success of the Group. Each Director has a duty to act in good faith and in the best interests of the Company.

Matters that require decisions by the Board normally include but not limited to overall Group strategies, major acquisitions and disposals, annual and interim results, recommendation on the appointment or reappointment of directors, and other significant operational and financial matters. Directors are kept up-to-date by monthly management information on a timely basis as well as on major changes that may affect the Group's businesses, including relevant rules and regulations. The Board acknowledges its responsibility to prepare the financial statements and have them audited on an annual basis. The Company has adopted the generally accepted accounting standards in Hong Kong in preparing financial statements. Reasonable and prudent judgment and estimates have been made. The Group announces its financial results on a timely basis.

Corporate governance functions

On 30 April 2013, the Company established a legal compliance committee (the "**Legal Compliance Committee**"), which will mainly be responsible for our Group's regulatory compliance matters. The primary function of the Legal Compliance Committee is to assist our audit committee in ensuring the proper compliance of the laws and regulations relevant to our Group's operations as well as the adequacy and effectiveness of our regulatory compliance procedures and system.

The members of the Legal Compliance Committee comprise Mr. Lam Wing Tai, Mr. Lo Ka Man and Mr. Lam Chun Hung. The chairman of the Legal Compliance Committee is Mr. Lam Wing Tai, the Company Secretary. Mr. Lo Ka Man is an executive Director and the chief executive officer of the Group and Mr. Lam Chun Hung is a senior management of the Group.

The Legal Compliance Committee also assists our audit committee in overseeing our Group's corporate governance functions which include:

(i) developing and reviewing our Group's policies and practices on corporate governance and make recommendations to our audit committee on a quarterly basis;

(ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

(iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and

(v) reviewing our Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Financial Year, Legal Compliance Committee held 4 meetings to review the compliance matters and the findings were reported to the Audit Committee.

Indemnification of Directors and officers

The Directors and officers are indemnified under directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding office as the Directors and officers of the Company.

Chairman and chief executive officer

Code provision A.2.1 provides that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing.

Throughout the Financial Year, Mr. Lo Wong Fung was the Chairman and an executive Director (following the resignation of Mr. Lo Wong Fung on 12 March 2015, Mr. Ni Xiangrong has been appointed as the Chairman and an executive Director) and was responsible for overall strategic planning, development, decision making on matters and management of senior executives of the Group. Mr. Lo Ka Man is an executive Director and the chief executive officer of the Group and is responsible for the corporate strategic planning, execution and day-to-day management and administration of our Group's business and operation. Mr. Lo Ka Man is the son of Mr. Lo Wong Fung, the Chairman and an executive Director. Save as disclosed above, there is no family or other material relationship among members of the Board and the senior management.

BOARD COMMITTEES

The Board established an Audit Committee, a Remuneration Committee and a Nomination Committee with defined terms of reference. Audit Committee and Remuneration Committee are chaired by independent non-executive Directors and nomination committee is chaired by the Chairman of the Group.

(a) Audit committee

An audit committee has been established on 3 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision C.3.3. The members of the audit committee comprise Mr. Luk Chi Shing, Mr. Zhang Fangmao and Mr. Wang Zongbo, all of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Luk Chi Shing. The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of our Group.

During the Financial Year, the Audit Committee reviewed the quarterly, interim and annual results of the Group. The Audit Committee also reviewed the internal control procedures of the Group as well as compliance matters and the findings reported from the Legal Compliance Committee.

(b) Remuneration committee

A Remuneration Committee has been established on 3 August 2013 with written terms of reference in compliance with code provision B.1.2. The members of the Remuneration Committee comprise Mr. Lo Ka Man, an executive Director and chief executive officer of our Group, Mr. Luk Chi Shing and Mr. Wang Zongbo, both of whom are independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Luk Chi Shing. The primary duties of the Remuneration Committee are mainly to make recommendations to our Board on the overall remuneration policy and structure relating to the Directors and senior management of our Group, review and evaluate their performance in order to make recommendations on the remuneration package of each of our Directors and senior management personnel as well as other employee benefit arrangements.

During the Financial Year, the Remuneration Committee reviewed, confirmed and recommended to the Board the remuneration package of each of the Directors and senior management.

(c) Nomination committee

A Nomination Committee has been established on 3 August 2013 with written terms of reference in compliance with code provision A.5.2. During the Financial Year, the members of the Nomination Committee comprised Mr. Lo Wong Fung, the Chairman and an executive Director, Mr. Luk Chi Shing and Mr. Zhang Fangmao, both of whom are independent non-executive Directors. The chairman of the Nomination Committee was Mr. Lo Wong Fung (following the resignation of Mr. Lo Wong Fung on 12 March 2015, Mr. Ni Xiangrong has been appointed as the chairman of the Nomination Committee). The primary duties of the Nomination Committee are mainly to nominate potential candidates for directorship, review the nomination of Directors and make recommendations to the Board on the appointment of Directors.

The Company had adopted the board diversity policy in accordance with the requirement as set out In the CG Code. The Board recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The board diversity has been considered from a number of aspects, including but not limited to the gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skill, knowledge and length of service. The Nomination Committee regularly monitors and reviews the implementation of the board diversity policy.

During the Financial Year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board and determined the policy for the nomination of the Directors.

On 12 March 2015, Mr. Ni Xiangrong has been appointed and Mr. Lo Wong Fung had resigned as the chairman and member of the Nomination committee. As at the date of this report, the members of the Nomination Committee comprise Mr. Ni Xiangrong, the chairman and an executive Director, Mr. Luk Chi Shing and Mr. Zhang Fangmao, all of whom are independent non-executive Directors.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment of the financial performance and prospects of the Group in all the disclosures made to the shareholders and the regulatory authorities.

Timely release of quarterly, interim and annual results announcements reflects the Board’s commitment to provide transparent and up-to-date disclosures of the Group’s performance.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. The Audit Committee reviews and monitors the integrity of the Group’s quarterly, interim and annual financial statements. It also reviews the appropriateness of the Group’s accounting policies and the changes to these policies as well as ensuring these financial statements comply with accounting standards and regulatory requirements.

The Directors acknowledge their responsibilities for preparing the accounts of the Company and the responsibilities of the external auditor with in respect to financial reporting which are set out in the Independent Auditor’s Report on page 28.

External Auditor

During the Financial Year, the fees paid/payable to the Company's auditor, Mazars CPA Limited, in respect of statutory audit services and non-audit services provided after listing of the Company's shares on GEM of the Stock Exchange are as follows:

	Statutory audit services	Non-audit services
Mazars CPA Limited	HK$1,000,000	–

INTERNAL CONTROL

The Board recognizes the overall responsibility for the establishment, maintenance, and review of an internal control system that provides reasonable assurance of the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, the safeguarding of assets and the compliance with laws and regulations. This system of internal control is designed to manage rather than eliminate all risks of failure where its goal is to provide reasonable but not absolute assurance regarding the achievement of organisational objectives.

The Company engaged Zhonghui Anda CPA Limited to perform the review on internal control of the Company for the Financial Year.

The Board, through its Audit Committee, Legal Compliance Committee, external auditor and external internal control advisor, assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance control.

Audit Committee comprising three independent non-executive Directors, which will retain overall responsibility for the internal control matters of the Group and has oversight of the Legal Compliance Committee, will assess the robustness of our regulatory compliance procedures and system reviewed by the Legal Compliance Committee to ensure, among other things, that the Group fully complies with all applicable laws and regulations relevant to our operations. In addition, Audit Committee will make recommendation to our Board for the improvement of our regulatory compliance procedures and system as is necessary and report to our Board immediately if there is any potential or actual non-compliance identified by the Legal Compliance Committee.

COMPLIANCE OF DEED OF NON-COMPETITION

For the year ended 31 December 2014, the controlling shareholders of the Company, being GFII, Smart Oriental Limited, Loyal Fine Limited, Forefront Group Limited, B & O Global Invest Limited, Mr. Cheung Chun Pong and Mr. Lo Wong Fung (each and collectively, the "**Former Controlling Shareholders**") have confirmed to the Company of their compliance with the terms of the non-compete undertaking provided to the Company under the deed of non-competition dated 3 August 2013 ("**DNC**"). The independent non-executive Directors have reviewed the confirmations given by the Former Controlling Shareholders and of the view that all the undertaking under the DNC have been complied with by the Former Controlling Shareholders and duly enforced during the Financial Year. The Former Controlling Shareholders had not referred nor taken up any new business opportunity, which competes or may compete with the existing and future business of the Group during the Financial Year.

GFII had undertaken to the Company that it would dispose of its entire shareholding in New Wang An Logistics (Hong Kong) Company Limited ("**New Wang An**") within twelve months after 22 August 2013, being the Company's shares were successfully listed on GEM. Since New Wang An was an inactive and had not carried on any active business, the application for deregistration had been submitted to the Companies Registry. GFII had provided the relevant documentary evidence to the Company that New Wang An had been deregistered on 11 July 2014.

Each of Golden Fame Transportation Company Limited ("**GFT**"), W.F. Lo Holding Co Inc. ("**W.F. Lo Holding**") and Transport Verville Limited ("**Transport Verville**") have confirmed to the Company of their compliance with the terms of the non-compete undertaking given to the Company. The independent non-executive Directors have reviewed the confirmations given by the each of GFT, W.F. Lo Holding and Transport Verville and of the view that all the undertaking have been complied with by them and duly enforced during the Financial Year. Each of GFT, W.F. Lo Holding and Transport Verville had not engaged or interested in the provision of logistics services in Hong Kong and the PRC during the Financial Year.

As disclosed in the joint announcement of the Company dated 30 January 2015, GFII had disposed of 520,000,000 shares of the Company, representing approximately 46.43% of the issued share capital of the Company on 23 January 2015. GFII had ceased to be as a controlling shareholder of the Company and the obligations of the Former Controlling Shareholders under the DNC were released on 23 January 2015.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at shareholders' meetings

Pursuant to the Articles, shareholders are requested to follow article 58 of the Articles to propose new resolutions at the general meetings. However, shareholders are requested to follow article 58 of the Articles. Pursuant to article 58 of the Articles, general meetings shall be convened by any one or more Members 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 at all times have the right, by written requisition to the Board or the Secretary of the Company, 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 (2) months after the deposit of such requisition. If within twenty one (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.

Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company believes that effective communication with our shareholders is essential for ensuring that they are provided with timely access to important information about the Company, including its financial performance, strategic goals and plans, material developments, governance and risk profile, in order to enable them to exercise their rights in an informed manner.

General meetings of the Company provide the best opportunity for exchange of views between the Board and our shareholders by maintaining an on-going dialogue with shareholders.

- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote for and on their behalf if they are unable to attend.

- The process of general meetings will be monitored and reviewed by the Board on a continuous and regular basis to ensure that shareholders' needs are best served, and if necessary, changes will be made to safeguard shareholders' interests.

- The chairman of the Board as well as the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committees will attend general meetings to answer shareholders' questions. The chairman of the independent board committee or, in his absence, other members of the independent board committee, will also be available to answer shareholders' questions at general meetings convened for the approval of connected transactions or any other transactions that are subject to independent shareholders' approval.

- The Board will ensure appropriate arrangement is in place to encourage shareholders' participation in general meetings.

In an effort to enhance communications with shareholders and investors, the Company maintains a website (www.gamma-corporation.com) to disseminate information relating to the Company's information such as announcements, circulars, financial statements and notices of general meetings. The Company regards the Annual General Meeting (the "**AGM**") as an important event as it provides direct communication between the Board and its shareholders. All shareholders of the Company are given at least a minimum of 20 clear business days notice of the date and venue of the AGM at which time the Directors and Committee members are available to answer questions on the business.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENT

During the Financial Year, there had been no change in the Company's constitutional document.

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓

To the shareholders of
Gamma Logistics Corporation
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Gamma Logistics Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 90, which comprise the consolidated and the Company's statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 24 March 2015

Fung Shiu Hang
Practising Certificate number: P04793

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	6	**367,620**	466,456
Cost of sales		**(313,644)**	(372,866)
Gross profit		**53,976**	93,590
Other income	7	**6,268**	1,215
Administrative expenses		**(75,918)**	(78,177)
Finance costs	8	**(1,280)**	(1,317)
Share of results of associates		**115**	1,267
(Loss) Profit before taxation	8	**(16,839)**	16,578
Taxation	10	**(1,738)**	(3,890)
(Loss) Profit for the year		**(18,577)**	12,688
Other comprehensive income			
Item that may be reclassified to profit and loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		**28**	–
Total comprehensive (loss) income for the year		**(18,549)**	12,688
(Loss) Profit attributable to:			
Equity holders of the Company		**(19,275)**	10,095
Non-controlling interests		**698**	2,593
		(18,577)	12,688
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		**(19,247)**	10,095
Non-controlling interests		**698**	2,593
		(18,549)	12,688
(Loss) Earnings per share attributable to equity holders of the Company			
Basic and Diluted	13	**(1.98) HK cents**	1.50 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**17,095**	22,705
Interests in associates	16	**11,460**	12,046
		28,555	34,751
Current assets			
Trade and other receivables	17	**80,433**	105,657
Pledged bank deposits	18(a)	**155**	400
Bank balances and cash	18	**92,380**	40,405
		172,968	146,462
Current liabilities			
Trade and other payables	19	**57,336**	88,178
Current portion of interest-bearing borrowings	20	**6,909**	13,310
Bank overdrafts (secured)	18	**–**	3,515
Taxation		**1,992**	3,458
		66,237	108,461
Net current assets		**106,731**	38,001
Total assets less current liabilities		**135,286**	72,752
Non-current liabilities			
Non-current portion of interest-bearing borrowings	20	**2,942**	3,107
Deferred tax liabilities	26	**634**	667
		3,576	3,774
NET ASSETS		**131,710**	68,978
Capital and reserves			
Share capital	22	**11,200**	8,000
Reserves		**117,784**	58,950
Total equity attributable to equity holders of the Company		**128,984**	66,950
Non-controlling interests		**2,726**	2,028
TOTAL EQUITY		**131,710**	68,978

Approved and authorised for issue by the Board of Directors on 24 March 2015 and are signed on behalf by:

Ni Xiangrong
Director

Lo Ka Man
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment in subsidiaries	14	**34,664**	34,656
Current assets			
Prepayments	17	**278**	205
Amount due from subsidiaries	14(a)	**14,013**	18,950
Cash at bank	18	**77,071**	26,573
		91,362	45,728
Current liabilities			
Other payables and accrual	19	**1,373**	2,214
Amount due to a subsidiary	14(a)	**8**	28,256
		1,381	30,470
Net current assets		**89,981**	15,258
NET ASSETS		**124,645**	49,914
Capital and reserves			
Share capital	22	**11,200**	8,000
Reserves	24	**113,445**	41,914
TOTAL EQUITY		**124,645**	49,914

Approved and authorised for issue by the Board of Directors on 24 March 2015 and are signed on behalf by:

Ni Xiangrong
Director

Lo Ka Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to equity holders of the Company									
	(Note 22) Share capital HK$'000	(Note 24(a)) Share premium HK$'000	(Note 24(b)) Capital reserve HK$'000	(Note 24(c)) Exchange reserve HK$'000	(Note 24(d)) Statutory reserve HK$'000	(Note 24(e)) Other reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	–	–	(8,224)	1,332	170	–	33,457	26,735	9,378	36,113
Profit and total comprehensive income for the year	–	–	–	–	–	–	10,095	10,095	2,593	12,688
Transactions with owners										
Contributions and distributions										
Placing of shares	2,000	48,000	–	–	–	–	–	50,000	–	50,000
Share placement expenses	–	(14,010)	–	–	–	–	–	(14,010)	–	(14,010)
Capitalisation issue	5,900	(5,900)	–	–	–	–	–	–	–	–
Dividend	–	–	–	–	–	–	–	–	(3,800)	(3,800)
	7,900	28,090	–	–	–	–	–	35,990	(3,800)	32,190
Changes in ownership interests										
Reorganisation	100	–	887	–	–	–	–	987	–	987
Acquisition of additional interest in non-wholly owned subsidiaries	–	–	–	–	–	(6,857)	–	(6,857)	(6,143)	(13,000)
	100	–	887	–	–	(6,857)	–	(5,870)	(6,143)	(12,013)
Total transactions with owners	8,000	28,090	887	–	–	(6,857)	–	30,120	(9,943)	20,177
At 31 December 2013 and 1 January 2014	**8,000**	**28,090**	**(7,337)**	**1,332**	**170**	**(6,857)**	**43,552**	**66,950**	**2,028**	**68,978**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(19,275)**	**(19,275)**	**698**	**(18,577)**
Other comprehensive income (loss)										
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**28**	**–**	**–**	**–**	**28**	**–**	**28**
Total comprehensive income (loss)	**–**	**–**	**–**	**28**	**–**	**–**	**(19,275)**	**(19,247)**	**698**	**(18,549)**
Transactions with owners										
Contributions and distributions										
Placing of shares on 16 May 2014	**1,600**	**41,920**	**–**	**–**	**–**	**–**	**–**	**43,520**	**–**	**43,520**
Placing of shares on 17 July 2014	**1,600**	**38,400**	**–**	**–**	**–**	**–**	**–**	**40,000**	**–**	**40,000**
Share placement expenses on 16 May 2014	**–**	**(1,164)**	**–**	**–**	**–**	**–**	**–**	**(1,164)**	**–**	**(1,164)**
Share placement expenses on 17 July 2014	**–**	**(1,075)**	**–**	**–**	**–**	**–**	**–**	**(1,075)**	**–**	**(1,075)**
Total transactions with owners	**3,200**	**78,081**	**–**	**–**	**–**	**–**	**–**	**81,281**	**–**	**81,281**
At 31 December 2014	**11,200**	**106,171**	**(7,337)**	**1,360**	**170**	**(6,857)**	**24,277**	**128,984**	**2,726**	**131,710**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations	25	**(17,423)**	23,115
Interest paid		**(1,280)**	(1,317)
Tax paid		**(3,772)**	(2,467)
Net cash (used in) generated from operating activities		**(22,475)**	19,331
INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		**5,536**	69
Interest received		**280**	20
Decrease in pledged bank deposits		**245**	523
Purchase of property, plant and equipment		**(2,131)**	(6,484)
Net cash outflow on disposal of a subsidiary	28	**(31)**	–
Net cash generated from (used in) investing activities		**3,899**	(5,872)
FINANCING ACTIVITIES			
Dividends paid to non-controlling shareholders		**–**	(3,800)
Acquisition of additional equity interests in non-wholly owned subsidiaries		**–**	(13,000)
New loan from a third party		**5,500**	–
New bank borrowings		**–**	26,086
Proceeds from placing of new shares	22(a)	**83,520**	50,000
Repayment of obligations under finance leases		**(1,023)**	(3,905)
Repayment of bank borrowings		**(12,392)**	(27,123)
Payment of share placement expenses	22(a)	**(2,239)**	(14,010)
Repayment to related parties		**–**	(524)
Dividend received from associates		**700**	600
Net cash generated from financing activities		**74,066**	14,324
Net increase in cash and cash equivalents		**55,490**	27,783
Cash and cash equivalents at beginning of year		**36,890**	9,107
Cash and cash equivalents at end of year	18	**92,380**	36,890
Major non-cash transactions:			
Acquisition of property, plant and equipment under finance lease arrangement		**1,350**	4,890
Capitalisation of amount due to shareholder		**–**	987
Capitalisation issue		**–**	5,900

1. CORPORATION INFORMATION

Gamma Logistics Corporation (the "Company") was incorporated in the Cayman Islands on 13 September 2011 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries are detailed in note 14 to the consolidated financial statements. The principal place of business is Unit 3004, 30/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Company and its subsidiaries are herein collectively referred to as the "Group".

2. REORGANISATION OF THE GROUP AND BASIS OF PRESENTATION

Group Reorganisation

Pursuant to a group reorganisation completed on 3 August 2013 (the "Reorganisation") to rationalise the corporate structure in preparation for the initial listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became intermediate holding company of the Group and Golden Fame International Investments Group Limited ("GFII") became the then ultimate holding company of the Group. Details of the Reorganisation were set out in the prospectus of the Company dated 14 August 2013 (the "Prospectus").

The shares of the Company were listed on the GEM of the Stock Exchange on 22 August 2013 (the "Listing").

Upon the completion of placing shares on 17 July 2014 as set out in Note 22(a) to the consolidated financial statements, in the opinion of the directors of the Company, GFII was no longer the ultimate holding company of the Group.

Basis of presentation

As the Group was controlled by the ultimate holding company of the Group (the "Controlling Party") before and after the Reorganisation, the Reorganisation was considered as a business combination under common control and was accounted for by applying the principles of the merger accounting under Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Under this basis, the consolidated financial statements of the Group for the year ended 31 December 2013 had been presented as a continuation of the existing group using the pooling of interests method. Accordingly, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows were prepared as if the current group structure had been in existence throughout the year ended 31 December 2013.

At the time of common control combination, the net assets of the consolidating entities or businesses were consolidated using the existing book values from the Controlling Party's perspective. No amount was recognised as consideration for goodwill or gain on bargain purchase, to the extent of the continuation of the Controlling Party's interest.

There was no adjustment made to the net assets nor the profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong. These consolidated financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements also complies with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements except for the adoption of the new/revised HKFRSs set out in note 4 that are relevant to the Group and effective from the current year.

A summary of the principal accounting policies adopted by the Group is set out in note 4 to the consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

Amendments to HKAS 32: Presentation — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments do not have an impact on the consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical costs.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Non-controlling interests are presented, separately from owners of the parent, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal 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 determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

Subsidiaries are all entities over which the Group has control.

Specifically, the Group controls an investee if and only if the Group has all the following:

— power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

— exposure, or rights, to variable returns from its involvement with the investee; and

— the ability to use its power over the investee to affect its returns.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

— the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

— potential voting rights held by the Group, other vote holders or other parties;

— rights arising from other contractual arrangements; and

— any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

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 no control or joint control of those policies.

The Group's investments in associates are accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the Group's investment in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition results of the associates and any impairment loss relating to the investment. The consolidated statement of financial position includes the Group's share of the net assets of the associate. The Group discontinues recognising its share of further losses when the Group's share of losses of the associate equals or exceeds the carrying amount of its interest in the associate, which includes any long term interests that, in substance, form part of the Group's net investment in the associate, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

The requirements of HKAS 39 Financial Instruments: Recognition and Measurement ("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. When the application of HKAS 39 indicates that the investment may be impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of the asset or as a replacement.

The Group has entered into Usage Priority Agreements for the preferential use of certain vessels with the legal owners of each vessel with an aggregate consideration of approximately RMB8.4 million. According to the Usage Priority Agreements, the legal owners and the Group mutually agreed the following key terms:

— the Group has the exclusive preferential right to use these vessels;

— the Group has the preferential right to acquire the interest or obtain the sales proceeds of disposal (pre-approval by the Group in advance) of these vessels; and

— any transfer, leasing, written-off or pledge of these vessels have to be approved by the Group in advance.

In accordance with HKAS 16 Property, Plant and Equipment ("HKAS 16"), the cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. With reference to the terms of Usage Priority Agreements, the cost of these vessels can be measured reliably. In addition, the Group can demonstrate the ability to control these vessels as the use, disposal, transfer, leasing, written-off or pledge of these vessels have to be pre-approved by the Group. Moreover, the Group can obtain future economic benefits associated with these vessels by exercising the exclusive preferential right to use the vessels to provide logistic services to the customers or obtain the sales proceeds on disposal of these vessels.

Therefore, management considered that the Group has controlled these vessels and the future economic benefits associated with these three vessels are expected to flow to the Group. During the year ended 31 December 2014, the Group exercised the exclusive preferential right to dispose one of the three vessels to a third party. Accordingly the aggregate costs and aggregate net book value of the remaining two vessels of HK$6.7 million and HK$2.12 million as at 31 December 2014 have been recorded under property, plant and equipment respectively.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

In accordance with HKAS 38 Intangible Assets ("HKAS 38"), some intangible assets may be contained in or on a physical substance. In determining whether an asset that incorporates both intangible and tangible elements should be treated under HKAS 16 or as an intangible asset under HKAS 38, the entity uses judgement to assess which element is more significant.

The management of the Group, based on the terms set out in the Usage Priority Agreements, considered that in substance the Group is able to exercise effective control over the "usage" of the three vessels as if it were the owner throughout the period covered by the Usage Priority Agreements. Accordingly, the vessels are recorded by the Group under HKAS 16.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the unexpired term of lease
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Computer equipment	20%
Containers	20%
Feeder vessels and barges	$8^1/_3$%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

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 derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the item is included in profit or loss in the year in which the item is derecognised.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether the carrying amounts of its property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables

Loans and receivables including trade and other receivables, pledged bank deposits and cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payables at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial assets' original effective interest rate.

Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Cash equivalents

For the purpose of the consolidated statements of cash flow, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Revenues from ocean freight and land transportation services are recognised and coincided with the date of departure.

Revenues from container terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

Revenues from ocean and air freight forwarding business are recognised and coincided with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freights.

The insurance agency income is recognised when the related services are complete.

Income from tractor repair and maintenance is recognised when the related services are complete.

The percentage of completion for revenue recognition is not applicable because the integrated logistics services provided by the Group can be completed in a short period of time. Financially, even if the adoption of percentage of completion for revenue recognition is possible, it would not have caused any material difference with the revenue recognition basis currently adopted by the Group.

Income from provision for fuel cards, net of trade discount, is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenues from operational equipment rental are recognised when the equipment are let out and on the straight-line basis over the lease terms.

Management fee income is recognised when services are rendered.

Interest income from financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency of each of the Group's entities using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of reporting period;

— Income and expenses for each statement of comprehensive income are translated at average rates;

— All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

— On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

— On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

— On all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Leases

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.

As lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable or receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the state-managed retirement schemes in jurisdictions other than Hong Kong, which are calculated on certain percentages of the applicable payroll costs, are charged as expenses when employees have rendered services entitling them to the contributions.

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year(s) in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, which are described above, management has made various estimates and judgements which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and accounting judgements, other than the judgment on the ownership of three vessels as described in above, that result in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognised in the consolidated financial statements are discussed below:

Key sources of estimation uncertainty

(i) Useful lives of property, plant and equipment

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technological innovations which could affect the related depreciation charges included in profit or loss.

(ii) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(iii) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impair the income tax and deferred tax provision in the period in which such determination is made.

(iv) Impairment of investments and receivables

The Group assesses annually if investment in subsidiaries and associates has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 19 (2011)	Defined Benefit Plans — Employee Contributions[1]
Various HKFRSs	Annual Improvements Project — 2010–2012 Cycle[2]
Various HKFRSs	Annual Improvements Project — 2011–2013 Cycle[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[3]
Amendments to HKAS 28 (2011) and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
Various HKFRSs	Annual Improvements Project — 2012–2014 Cycle[4]
HKFRS 15	Revenue from Contracts with Customers[5]
HKFRS 9 (2014)	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2016, with limited exceptions
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for annual periods beginning on or after 1 January 2018

The directors anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

5. SEGMENT INFORMATION

The chief operating decision maker has been identified collectively as the executive directors of the Company. An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive directors in order to allocate resources and assess performance of the segment.

For management purposes, the Group is currently organised into the following operating segments:

Operating segments	Principal activities
— Integrated logistics freight services	— Provision of ocean freight and land transportation and container drayage services — Provision of ocean freight forwarding services — Provision of air freight forwarding services — Provision of feeder container storage facilities and hiring services of barges and vehicles
— Provision of fuel cards	— Provision of fuel cards
— Tractors repairs and maintenance services and insurance agency services	— Tractors repairs and maintenance — Provision of insurance agency services

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segments assets include all property, plant and equipment, receivables, bank deposits and cash and cash equivalents other than interests in associates and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segment liabilities other than unallocated head office and corporate liabilities which are managed on a group basis and certain other payables and accrued charges.

Revenues and expenses are allocated to the reporting segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment results is profit before taxation without allocation of share of results of associates and other unallocated corporate expenses and income. For the purpose of assessing the performance of the operating segments and allocation of resources between segments, the Group's results are further adjusted for items not specifically attributed to individual segments and other head office or corporate administration costs.

Inter-segment sales transactions are charged at prevailing market prices.

5. SEGMENT INFORMATION *(Continued)*

Operating segments

Segment information is presented below:

For the year ended 31 December 2014

	Integrated logistics freight services HK$'000	Provision of fuel cards HK$'000	Tractor repair and maintenance services and insurance agency services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue (from external customers)	336,648	29,975	997	–	367,620
— Inter-segment revenue	49,678	3,153	2,877	(55,708)	–
Total revenue	386,326	33,128	3,874	(55,708)	367,620
Results					
Segment result	(8,515)	406	(288)	–	(8,397)
Share of results of associates					115
Other unallocated corporate income					264
Other unallocated corporate expenses					(8,821)
Loss before taxation					(16,839)
Taxation					(1,738)
Loss for the year					(18,577)

5. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

For the year ended 31 December 2013

	Integrated logistics freight services HK$'000	Provision of fuel cards HK$'000	Tractor repair and maintenance services and insurance agency services HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue (from external customers)	443,261	22,434	761	–	466,456
— Inter-segment revenue	59,512	1,638	4,198	(65,348)	–
Total revenue	502,773	24,072	4,959	(65,348)	466,456
Results					
Segment result	25,743	618	85	–	26,446
Share of results of associates					1,267
Other unallocated corporate income					10
Other unallocated corporate expenses					(11,145)
Profit before taxation					16,578
Taxation					(3,890)
Profit for the year					12,688

5. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

As at 31 December 2014

	Integrated logistics freight services HK$'000	Provision of fuel cards HK$'000	Tractor repair and maintenance services and insurance agency services HK$'000	Total HK$'000
ASSETS				
Segment assets	102,322	9,868	3,036	115,226
Unallocated corporate assets				86,297
Consolidated total assets				201,523
LIABILITIES				
Segment liabilities	(63,857)	(2,404)	(2,178)	(68,439)
Unallocated corporate liabilities				(1,374)
Consolidated total liabilities				(69,813)
OTHER INFORMATION				
Capital additions	3,374	–	79	3,453
Capital additions (unallocated)	–	–	–	28
Depreciation	7,836	–	9	7,845
Depreciation (unallocated)	–	–	–	5
Finance costs	1,280	–	–	1,280
Interest income	16	–	–	16
Interest income (unallocated)	–	–	–	264

5. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

As at 31 December 2013

	Integrated logistics freight services HK$'000	Provision of fuel cards HK$'000	Tractor repair and maintenance services and insurance agency services HK$'000	Total HK$'000
ASSETS				
Segment assets	131,079	8,799	2,361	142,239
Unallocated corporate assets				38,974
Consolidated total assets				181,213
LIABILITIES				
Segment liabilities	(105,273)	(2,393)	(2,354)	(110,020)
Unallocated corporate liabilities				(2,215)
Consolidated total liabilities				(112,235)
OTHER INFORMATION				
Capital additions	11,374	–	–	11,374
Depreciation	8,443	–	6	8,449
Finance costs	1,317	–	–	1,317
Interest income	16	–	–	16
Interest income (unallocated)	–	–	–	4

5. SEGMENT INFORMATION *(Continued)*

Geographical information

Geographical segment

The Group operates and derives revenue in two principal geographical areas: Hong Kong and Mainland China.

The following table sets out the revenue derived from geographical areas which are based on the geographical location of the customers:

	2014 **HK$'000**	2013 HK$'000
Revenue from external customers:		
Hong Kong	**282,101**	375,331
Mainland China	**77,695**	83,044
Others (Note)	**7,824**	8,081
	367,620	466,456

Note: The locations of others include Europe, U.S.A., Asia (other than Hong Kong and Mainland China), South Africa and others.

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation, in the case of interests in associates. The analysis of the Group's non-current assets by geographical location is as follows:

	2014 **HK$'000**	2013 HK$'000
Property, plant and equipment		
— Hong Kong	**7,311**	9,703
— Mainland China	**9,784**	13,002
	17,095	22,705
Interests in associates		
— Hong Kong	**10,260**	10,885
— Mainland China	**1,200**	1,161
	11,460	12,046
Total specified non-current assets	**28,555**	34,751

Information about major customers

During the year ended 31 December 2014, revenue of approximately HK$40,388,000, contributing over 10% of the total revenue of the Group, was derived from a single customer attributable to integrated logistics freight services segment.

No customer of the Group has individually accounted for 10% or more of the Group's total revenue during the year ended 31 December 2013, therefore, no information about major customers is presented.

6. REVENUE

	2014 HK$'000	2013 HK$'000
Income from provision of integrated logistics freight services	**336,648**	443,261
Income from provision of fuel cards	**29,975**	22,434
Tractor repair and maintenance services and insurance agency fee	**997**	761
	367,620	466,456

7. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Bank interest income	**280**	20
Exchange gain	**51**	104
Gain on disposal of property, plant and equipment (Note)	**4,294**	–
Management fee income	**398**	393
Sundry income	**1,245**	698
	6,268	1,215

Note: During the year ended 31 December 2014, the Hong Kong Government granted subsidies of HK$3,515,000 (2013: Nil) to the Group under an ex-gratia payment scheme to phase out pre-Euro IV diesel commercial vehicles. The subsidies are recorded as gain on disposal of those vehicles.

8. (LOSS) PROFIT BEFORE TAXATION

	2014 HK$'000	2013 HK$'000
This is stated after charging:		
Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**1,063**	809
Finance charge on obligations under finance leases	**217**	508
	1,280	1,317
Other items		
Auditors' remuneration	**1,000**	1,050
Depreciation	**7,850**	8,449
Operating lease payments on premises	**13,410**	17,293
Staff costs		
Salaries, allowances and the other short-term employee benefits including directors' emoluments	**60,267**	59,555
Contributions to defined contribution plans	**3,227**	3,202
	63,494	62,757

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(i) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company by the Group during the year are as follows:

	Appointed during the year	Resigned during the year	Fee HK$'000	Salaries, allowance and benefits in kind HK$'000	Bonuses HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2014							
Executive directors							
Mr. Lo Wong Fung	–	–	–	–	–	–	–
Mr. Lo Ka Man	–	–	–	825	–	17	842
Ms. Leung Wai Ching	–	1 Apr 2014	–	458	–	13	471
Mr. Yang Yue Xia	–	–	–	240	–	–	240
Mr. Jiang Tan Shan	21 Feb 2014	–	–	103	–	–	103
Non-executive director							
Mr. Ho Chi Ho	1 Jan 2014	–	120	–	–	–	120
Independent non-executive directors							
Mr. Lam Ying Hung, Andy	–	12 Jun 2014	45	–	–	–	45
Mr. Zschiesche Gustav	–	12 Jun 2014	45	–	–	–	45
Mr. Hung Chiu Shing Wilson	–	1 Apr 2014	25	–	–	–	25
Mr. Luk Chi Shing	21 Feb 2014	–	103	–	–	–	103
Mr. Zhang Fangmao	1 Jun 2014	–	35	–	–	–	35
Mr. Wang Zongbo	1 Jun 2014	–	35	–	–	–	35
			408	1,626	–	30	2,064

	Appointed during the year	Fee HK$'000	Salaries, allowance and benefits in kind HK$'000	Bonuses HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2013						
Executive directors						
Mr. Lo Wong Fung	–	–	1,667	–	–	1,667
Mr. Lo Ka Man	–	–	930	–	15	945
Ms. Leung Wai Ching	–	–	821	–	15	836
Mr. Yang Yue Xia	20 December 2013	–	8	–	–	8
Independent non-executive directors						
Mr. Lam Ying Hung, Andy	3 August 2013	42	–	–	–	42
Mr. Zschiesche Gustav	3 August 2013	42	–	–	–	42
Mr. Hung Chiu Shing Wilson	3 August 2013	42	–	–	–	42
		126	3,426	–	30	3,582

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(i) Directors' emoluments *(Continued)*

For the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

During the year ended 31 December 2014, none of the directors has waived or agreed to waive any emoluments. During the year ended 31 December 2013, Mr. Lo Wong Fung agreed to waive the basic salaries as stipulated in his services agreement in a total amount of HK$333,000.

(ii) Five highest paid individuals

The five highest paid individuals included one (2013: three) director for the year ended 31 December 2014. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and allowances	**3,448**	2,187
Contributions to defined contribution plans	**44**	30
	3,492	2,217

The above individuals' emoluments during the year were within the following bands:

	2014 **HK$'000**	2013 HK$'000
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	4	2

No remuneration was paid or payable by the Group to any of the five highest paid individuals as an inducement to join the Group or upon joining the Group or as compensation for loss of office during the years ended 31 December 2014 and 2013.

10. TAXATION

	Note	2014 HK$'000	2013 HK$'000
Current tax:			
Hong Kong Profits Tax			
— Current year		**1,446**	4,033
— Over-provision in prior year		**(287)**	(381)
		1,159	3,652
PRC Enterprise Income Tax			
— Current year		**456**	864
— Under-provision in prior year		**154**	85
		610	949
Deferred tax credit	26	**(31)**	(711)
Total income tax recognised in profit or loss		**1,738**	3,890

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the Group's estimated assessable profits arising from Hong Kong during the year.

(ii) Income taxes outside Hong Kong

The Company's subsidiaries in the PRC are subject to Enterprise Income Tax. PRC Enterprise Income Tax is calculated at the prevailing tax rate at 25% on taxable income determined in accordance with the relevant laws and regulations in the PRC.

Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any taxation under jurisdictions of the BVI and the Cayman Islands.

10. TAXATION *(Continued)*

(iii) PRC taxes of Golden Fame Delta Shipping Limited ("GFDS")

For safeguard reasons, GFDS had, through a tax advisor, sought a view from the relevant PRC tax authority on the potential tax exposure of a company operating in the scenario as GFDS carries on its business in the PRC on a no-name basis. The view given was that such company would not be eligible for the PRC tax exemption even if it is normally managed or controlled in Hong Kong with its profit assessed under Hong Kong tax.

During the year ended 31 December 2012, in order to avoid delay, GFDS has reached an agreement with the relevant local tax authorities on the bases of computation of the PRC tax liabilities and paid an amount of approximately RMB742,000, including Business Tax and Enterprise Income Tax, in respect of the 3 years from 2009 to 2011 and surcharge for late payment of approximately RMB249,000 under the self-reporting system of the PRC tax rules.

Having settled the aforesaid PRC tax liabilities and surcharge, the management has reassessed the adequacy of provision for tax and related payments made in the past years and determined that the said payments should not have caused a significant financial impact on the Group's results and financial positions throughout the year.

Reconciliation of tax expenses

The tax charge for the year can be reconciled to the (loss) profit per the consolidated statement of comprehensive income as follows:

	2014 **HK$'000**	2013 HK$'000
(Loss) Profit before taxation	**(16,839)**	16,578
Income tax at applicable tax rate of 16.5%	**(2,779)**	2,735
Effects of different tax rates of subsidiaries operating in other jurisdictions	**163**	233
Non-deductible expenses	**2,336**	2,829
Tax exempt revenue	**(489)**	(1,205)
Tax effect of share of results of associates	**(19)**	(208)
Utilisation of previously unrecognised tax losses	**(158)**	(60)
Unrecognised temporary differences	**398**	217
Over provision in prior year	**(133)**	(296)
Tax effect of tax loss not recognised	**2,435**	294
Others	**(16)**	(649)
Tax expense for the year	**1,738**	3,890

Tax exempt revenue mainly included profits not taxed in Hong Kong under S.23B of the Inland Revenue Ordinance for being carriage shipped outside Hong Kong and bank interest income. Non-deductible expenses mainly included bank loan and overdraft interest incurred for non-producing assets, loss not allowable in Hong Kong under S.23B of the Inland Revenue Ordinance for being carriage shipped outside Hong Kong.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 December 2014 includes a loss of HK$6,550,000 (2013: HK$11,095,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The board does not recommend the payment of a dividend for the year ended 31 December 2014 (2013: NIL).

13. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share for the years ended 31 December 2014 and 2013 are calculated by dividing the (loss) profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

In determining the weighted average number of ordinary shares in issue, 1 ordinary share issued on incorporation of the Company, 9,999,999 ordinary shares issued as consideration for the acquisition of the entire issued share capital of Gamma Logistics (B.V.I.) Corporation ("GLBVI") and the capitalisation issue of 590,000,000 ordinary shares upon the Listing on 22 August 2013 were deemed to have been in issue on 1 January 2013 for the purpose of the calculation of basic earnings per share.

	2014 **HK$'000**	2013 HK$'000
(Loss) Profit attributable to equity holders of the Company	**(19,275)**	10,095
Weighted average number of ordinary shares in issue	**974,465,753**	671,780,822
Basic (loss) earnings per share	**(1.98) HK cents**	1.50 HK cents

Basic and diluted earnings per share are the same as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2014 and 2013.

14. INVESTMENT IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**34,664**	34,656

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Issued and paid-up capital/ registered capital	Ownership interest held by the Company		Principal activities
			Directly held	Indirectly held	
Gamma Logistics (B.V.I.) Corporation	The BVI	US$10	100.0%	–	Investment holding
Luck Sign Investment Development Limited	The BVI	US$1,000	100.0%	–	Investment holding
Golden Fame Shipping Limited	Hong Kong	HK$2,200,000	–	100.0%	Provision of ocean freight transportation and container drayage services
Golden Ocean Warehouse & Transportation Limited	Hong Kong	HK$10,000	–	100.0%	Provision of feeder container storage facilities and the hiring services of barges and vehicles
Upward Miles Limited	Hong Kong	HK$500,000	–	100.0%	Rental of trucks
Golden Fame Logistics Holding Limited	Hong Kong	HK$10	–	100.0%	Investment holding
Global Cargo International Limited	Hong Kong	HK$1,000,000	–	51.0%	Provision of air freight, ocean transportation and handling services
Golden Fame Delta Shipping Limited	The BVI	US$2	–	100.0%	Provision of freight and feeder rental services
中山市金洋國際貨運代理有限公司	The PRC	Registered and paid-up capital RMB7,000,000	–	100.0%	Provision of Non Vessel Operating Common Carrier ("NVOCC") and international forwarding agency services

14. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Issued and paid-up capital/ registered capital	Ownership interest held by the Company		Principal activities
			Directly held	Indirectly held	
中山市爱酒時貿易有限公司	The PRC	Registered and paid-up capital RMB500,000	–	100.0%	Inactive
中山市金信貨運有限公司	The PRC	Registered and paid-up capital RMB3,000,000	–	100.0%	Provision of transportation services
U-Drive Company Limited	Hong Kong	HK$1,000	–	93.7%	Provision of fuel cards
Win & Fame Motor Limited	Hong Kong	HK$1,000,000	–	80.0%	Provision of vehicle and tractor maintenance services
Win Top Shipping Company Limited	Hong Kong	HK$2	–	100.0%	Provision of feeder shipping services
Wintop Logistics Development Co. Ltd	Hong Kong	HK$10,000	–	100.0%	Provision of NVOCC services
Treasure Pipe Limited	The BVI	US$10	–	100.0%	Investment holding
Golden Fame Insurance Services Limited	Hong Kong	HK$500,000	–	100.0%	Provision of insurance agency services
Evertime Management Limited	Hong Kong	HK$1	–	100.0%	Inactive
Marble Opportunities Limited	The BVI	US$1	–	100.0%	Investment holding
Galva Company Limited	The BVI	US$1	–	100.0%	Inactive

The management considered that each of the non-wholly owned subsidiaries has no material non-controlling interests.

14(a) AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed repayment term.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Feeder vessels and barges (Note) HK$'000	Containers HK$'000	Total HK$'000
At cost							
At 1 January 2013	5,484	4,779	51,232	4,817	23,302	6,071	95,685
Additions	443	285	5,503	129	–	5,014	11,374
Disposals	(233)	(214)	(606)	(103)	–	–	(1,156)
At 31 December 2013 and 1 January 2014	5,694	4,850	56,129	4,843	23,302	11,085	105,903
Additions	845	87	2,142	207	–	200	3,481
Disposals	(116)	(9)	(7,012)	(47)	(3,078)	(636)	(10,898)
Exchange realignment	–	–	(6)	10	–	–	4
At 31 December 2014	**6,423**	**4,928**	**51,253**	**5,013**	**20,224**	**10,649**	**98,490**
Accumulated depreciation							
At 1 January 2013	4,203	4,117	40,795	3,750	17,567	5,325	75,757
Charge for the year	643	328	4,433	381	1,074	1,590	8,449
Disposals	(113)	(210)	(586)	(99)	–	–	(1,008)
At 31 December 2013 and 1 January 2014	4,733	4,235	44,642	4,032	18,641	6,915	83,198
Charge for the year	517	267	4,581	356	822	1,307	7,850
Disposals	(49)	(9)	(6,684)	(47)	(2,222)	(632)	(9,643)
Exchange realignment	–	–	(11)	1	–	–	(10)
At 31 December 2014	**5,201**	**4,493**	**42,528**	**4,342**	**17,241**	**7,590**	**81,395**
Net book value							
At 31 December 2014	**1,222**	**435**	**8,725**	**671**	**2,983**	**3,059**	**17,095**
At 31 December 2013	961	615	11,487	811	4,661	4,170	22,705

Note: As at 31 December 2013, the Group owned three barges with aggregate cost of HK$12.7 million and three vessels under the Usage Priority Agreements with aggregate cost of HK$9.7 million. According to the Usage Priority Agreements, the Group has the exclusive preferential right to use the three vessels and to acquire the interest or to obtain the sales proceeds of disposal, which has to be approved by the Group in advance, of these three vessels. The Group considers that it, in substance, owned these three vessels. Accordingly, the aggregate net book value of HK$3.61 million as at 31 December 2013 had been recorded under property, plant and equipment.

During the year ended 31 December 2014, the Group exercised the exclusive preferential right to dispose of one of the three vessels to a third party. Accordingly the aggregate costs and aggregate net book value of the remaining two vessels of HK$6.7 million and HK$2.12 million as at 31 December 2014 have been recorded under property, plant and equipment respectively.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group

The assets held under finance leases at the end of the reporting period are as follows:

	Motor vehicles HK$'000	Containers HK$'000	Total HK$'000
At 31 December 2014			
Cost	**1,350**	**4,890**	**6,240**
Accumulated depreciation	**(67)**	**(2,200)**	**(2,267)**
Net book value	**1,283**	**2,690**	**3,973**
At 31 December 2013			
Cost	–	4,890	4,890
Accumulated depreciation	–	(1,223)	(1,223)
Net book value	–	3,667	3,667

16. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Share of net assets	**11,460**	12,046

Particulars of the associates, which are unlisted corporate entities, principally affected the results or financial positions of the Group are as follows:

Name of associate	Form of business	Place of establishment and principal place of operation	Paid-up capital/ registered capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Indirectly held by subsidiaries	
Earnward Warehouse Limited	Incorporated	Hong Kong	HK$400,000	50%	50%	Provision of warehouse and transportation services
Win Way Container Services Company Limited	Incorporated	Hong Kong	HK$3,000,000	50%	50%	Provision of warehouse, transportation and delivery services
Full & Fame Oil Product Agency Limited	Incorporated	Hong Kong	HK$2	50%	50%	Provision for fuel cards
Echo Chain Shipping Limited	Incorporated	Hong Kong	HK$10,000	50%	50%	Provision of feeder shipping services
Vanco Logistics Limited	Incorporated	Hong Kong	HK$120,000	50%	50%	Provision of transportation services
廣州市道正物流有限公司	Incorporated	The PRC	RMB3,000,000	50%	50%	Provision of transportation services
Logistics Network Management Company Limited	Incorporated	Hong Kong	HK$300,000	25%	25%	Provision of transportation services
Wada Mini Storage Limited	Incorporated	Hong Kong	HK$10,000	30%	30%	Operation for Mini store

16. INTERESTS IN ASSOCIATES *(Continued)*

Relationship with major associates

Full & Fame Oil Product Agency Limited supports the Group's cost control strategy in provision of fuel cards segment.

Echo Chain Shipping Limited diversifies the brand name of feeder services of the Group in Zhongshan and Zhuhai, Guangdong Province and explores feeder service market in Jiangmen, Guangdong Province.

Earnward Warehouse Limited provides warehouse management services to the Group's customers, which allow the Group to penetrate this market in which the Group does not directly participate.

All of these associates are accounted for using the equity method in the consolidated financial statements.

Summary of financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

(A) Full & Fame Oil Product Agency Limited

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Current assets	**20,215**	17,882
Current liabilities	**(11,542)**	(9,622)
Net assets	**8,673**	8,260
Proportion of the Group's ownership interest in the associate	**50%**	50%
Carrying amount of the Group's interest in the associate	**4,336**	4,130
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**2**	2

16. INTERESTS IN ASSOCIATES *(Continued)*

(A) Full & Fame Oil Product Agency Limited *(Continued)*

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Total revenue of the associate for the year	**17,941**	24,183
Total profit and other comprehensive income of the associate for the year	**413**	480
Share of associate's results		
Profit for the year	**206**	240
The above profit for the year includes the following:		
Income tax expense	**80**	94

The above financial information is prepared using the same accounting policies as adopted by the Group.

(B) Echo Chain Shipping Limited

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Current assets	**11,004**	7,497
Non-current assets	**805**	674
Current liabilities	**(6,261)**	(3,829)
Non-current liabilities	**(78)**	(38)
Net assets	**5,470**	4,304
Proportion of the Group's ownership interest in the associate	**50%**	50%
Carrying amount of the Group's interest in the associate	**2,735**	2,152
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,702**	1,864

16. INTERESTS IN ASSOCIATES *(Continued)*

(B) Echo Chain Shipping Limited *(Continued)*

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Total revenue of the associate for the year	**48,165**	43,059
Total profit and other comprehensive income of the associate for the year	**2,064**	777
Dividends received from the associate during the year	**450**	–
Share of associate's results		
Profit for the year	**1,033**	388
The above profit for the year includes the following:		
Depreciation	**228**	172
Interest income	**4**	4
Income tax expenses	**494**	149

The above financial information is prepared using the same accounting policies as adopted by the Group.

(C) Earnward Warehouse Limited

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Current assets	**34,878**	35,283
Non-current assets	**4,520**	3,273
Current liabilities	**(35,233)**	(30,561)
Non-current liabilities	**(141)**	(141)
Net assets	**4,024**	7,854
Proportion of the Group's ownership interest in the associate	**50%**	50%
Carrying amount of the Group's interest in the associate	**2,012**	3,927
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**5,039**	4,301

16. INTERESTS IN ASSOCIATES *(Continued)*

(C) Earnward Warehouse Limited *(Continued)*

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Total revenue of the associate for the year	**118,321**	113,953
Total (loss) profit and other comprehensive (loss) income of the associate attributable to:		
— Owners of the parent	**(3,225)**	2,384
— Non-controlling interests	**(105)**	1,112
	(3,330)	3,496
Dividends received from the associate during the year	**250**	600
Share of associate's results		
(Loss) Profit for the year	**(1,665)**	1,192
The above (loss) profit for the year includes the following:		
Depreciation	**1,128**	825
Interest income	**57**	5
Interest expenses	**582**	437
Income tax expenses	**355**	590

The above financial information is prepared using the same accounting policies as adopted by the Group.

The aggregate information of associates that are not individually material is summarised as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
The Group's share of total revenue of the associates for the year	**11,405**	10,495
The Group's share of total profit (loss) and other comprehensive income (loss) of the associates for the year	**541**	(553)

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Carrying amount of the Group's interests in the associates	**2,377**	1,837

The above financial information is prepared using the same accounting policies as adopted by the Group.

17. TRADE AND OTHER RECEIVABLES

	Note	The Group 2014 HK$'000	The Group 2013 HK$'000	The Company 2014 HK$'000	The Company 2013 HK$'000
Trade receivables		**59,400**	78,847	**–**	–
Other receivables					
Deposits, prepayments and other debtors		**19,007**	24,461	**278**	205
Due from associates	17(a)	**2,026**	2,349	**–**	–
		21,033	26,810	**278**	205
		80,433	105,657	**278**	205

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	The Group 2014 HK$'000	The Group 2013 HK$'000
Outstanding balances which aged:		
90 days or below	**54,783**	73,349
91–180 days	**4,191**	5,007
181–365 days	**282**	436
More than 365 days	**144**	55
	59,400	78,847

The Group allows a credit period of 60 to 90 days to its trade debtors.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**39,834**	44,730
Within 90 days	**16,508**	32,568
91–180 days	**2,873**	1,255
181–365 days	**166**	265
More than 365 days	**19**	29
Past due but not impaired	**19,566**	34,117
	59,400	78,847

Included in the Group's trade receivable balance are debtors with carrying amounts of HK$19,566,000 (2013: HK$34,117,000) as at 31 December 2014 which are past due at the end of the reporting period but which the Group has not impaired as there have not been any significant changes in credit quality and the directors believe that the amounts are fully recoverable. The management had reviewed the subsequent settlement status and repayment history of these customers and no provision for doubtful debt is considered necessary. The Group does not hold any collateral over these balances.

Receivables that were neither past due nor impaired as at 31 December 2014 and 2013 relate to a wide range of customers for whom there was no history of default.

17(a) DUE FROM ASSOCIATES

The amounts due are unsecured, interest-free and have no fixed term of repayment.

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**92,380**	40,405	**77,071**	26,573
Bank overdrafts (secured)	**–**	(3,515)	**–**	–
	92,380	36,890	**77,071**	26,573

Cash at bank earns interest at floating rates based on daily bank deposit rates. Bank overdrafts bear interest at prevailing market rate.

18(a) PLEDGED BANK DEPOSITS

At 31 December 2014, pledged bank deposits of the Group mainly represent bank deposits pledged to a bank against the general banking facilities as mentioned in note 32 to the consolidated financial statements. The bank deposits are pledged for issuing guarantees to a supplier to maintain business relationship.

19. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables		**34,412**	57,092	**–**	–
Other payables					
Accrued charges and other creditors		**13,777**	22,002	**1,373**	2,214
Due to associates	19(a)	**9,147**	9,084	**–**	–
		22,924	31,086	**1,373**	2,214
		57,336	88,178	**1,373**	2,214

The ageing analysis of trade payables is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
90 days or below	**32,300**	48,600
91–180 days	**1,958**	7,733
181–365 days	**154**	759
	34,412	57,092

19(a) DUE TO ASSOCIATES

The amounts due are unsecured, interest-free and have no fixed repayment term.

20. INTEREST-BEARING BORROWINGS

	Note	2014 HK$'000	2013 HK$'000
Bank loans		–	12,392
Loan from a third party		5,500	–
Obligations under finance leases	21	4,351	4,025
		9,851	16,417
Current portion			
Portion of interest-bearing borrowings due for repayment within one year			
— Obligations under finance leases		1,409	918
— Loan from a third party		5,500	–
— Bank loans		–	9,564
		6,909	10,482
Portion of interest-bearing borrowings due for repayment after one year which contain a repayment on demand clause			
— Bank loans		–	2,828
		–	2,828
Total current portion of interest-bearing borrowings		6,909	13,310
Non-current portion			
— Obligations under finance leases		2,942	3,107
Total interest-bearing borrowings		9,851	16,417

	2014 HK$'000	2013 HK$'000
Analysed as follows:		
Secured	4,351	4,025
Unsecured	5,500	–
Unsecured but guaranteed	–	12,392
	9,851	16,417

20. INTEREST-BEARING BORROWINGS *(Continued)*

At the end of reporting date, the analysis of interest-bearing borrowings due based on the scheduled repayment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	2014 **HK$'000**	2013 HK$'000
The above borrowings, other than bank loans, are repayable as follows:		
— repayable on demand or within 1 year	**6,909**	918
— repayable after 1 year but within 2 years	**1,490**	974
— repayable after 2 years but within 5 years	**1,452**	2,133
	9,851	4,025
The above bank loans are repayable as follows:		
— repayable on demand or within 1 year	**–**	9,564
— repayable after 1 year but within 2 years	**–**	2,063
— repayable after 2 years but within 5 years	**–**	765
	–	12,392
Total interest-bearing borrowings	**9,851**	16,417

The bank loans carried interest at the prevailing market rates of about 3% to 6% per annum for the year ended 31 December 2013. The bank loans had been fully settled during the year ended 31 December 2014.

The loan from a third party was due to Enerchine Resources Limited. Pursuant to the loan agreement, a term loan facility of up to HK$10 million was made available to the Group and carries interest rate at prime rate plus 3% per annum. No asset has been pledged for this loan as at 31 December 2014. The loan agreement is governed by and constructed in accordance with the laws of Hong Kong. Enerchine Resources Limited is an indirect wholly owned subsidiary of Enerchina Holdings Limited, which is a company listed on the Main Board of the Stock Exchange with stock code 0622. Apart from being a creditor of the Group, Enerchine Resources Limited and its ultimate beneficial owners are independent of and not connected with the Group.

The obligations under finance leases carry interest at the annual percentage rates of about 4.4% to 6% (2013: 6%) per annum for the year ended 31 December 2014.

21. OBLIGATIONS UNDER FINANCE LEASES

As at the end of reporting period, the Group leased certain of its containers and motor vehicles (2013: containers) under finance leases. The average lease term is 3 years (2013:4 years) for the year ended 31 December 2014.

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**1,615**	1,134	**1,409**	918
In the second to fifth years inclusive	**3,149**	3,403	**2,942**	3,107
	4,764	4,537	**4,351**	4,025
Future finance charges	**(413)**	(512)		
Present value of lease obligations	**4,351**	4,025		
Less: Amounts due for settlement within 12 months			**(1,409)**	(918)
Amounts due for settlement after 12 months			**2,942**	3,107

The Group's obligations under finance leases are secured by motor vehicles and containers with net book value of HK$1,283,000 (2013: HK$Nil) and HK$2,690,000 (2013: HK$3,667,000) as at 31 December 2014 respectively.

22. SHARE CAPITAL

	Note	2014 Number of shares	2014 Nominal value HK$'000	2013 Number of shares	2013 Nominal value HK$'000
Ordinary shares of HK$0.01 each					
Authorised					
At beginning of year		**10,000,000,000**	**100,000**	38,000,000	380
Increase in authorised capital		**–**	**–**	9,962,000,000	99,620
At end of year		**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid					
At beginning of year		**800,000,000**	**8,000**	1	–
Issue of shares upon reorganisation		**–**	**–**	9,999,999	100
Placing of new shares	22(a)	**320,000,000**	**3,200**	200,000,000	2,000
Capitalisation issue		**–**	**–**	590,000,000	5,900
At end of year		**1,120,000,000**	**11,200**	800,000,000	8,000

Note:

(a) On 16 May 2014, 160,000,000 ordinary shares of HK$0.01 each were issued by way of placing at a price of HK$0.272 per share for cash consideration of HK$43,520,000. The excess of placing price over the par value of the share issued, net of placing expenses of HK$1,164,000, was credited to the share premium account.

On 17 July 2014, 160,000,000 ordinary shares of HK$0.01 each were issued by way of placing at a price of HK$0.25 per share for cash consideration of HK$40,000,000. The excess of placing price over the par value of the share issued, net of placing expenses of HK$1,075,000, was credited to the share premium account.

All the shares issued during the year ended 31 December 2014 rank pari passu in all respects with the then existing shares.

23. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 3 August 2013. The purpose of the Scheme is to recognise and acknowledge the contributions that participants have made or may make to the Group, to provide participants with an opportunity to have a personal stake in the Company with the view to achieve motivating the participants to optimise their performance and efficiency for the benefit of the Group, to attract and retain or otherwise maintain ongoing business relationship with participants, whose contributions are or will be beneficial to the long term growth of the Group.

Participants include (i) any director and employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

The directors may, at their discretion, invite any participant to take up options. Options may be granted to participants under the Scheme during the period of 10 years commencing on the effective date of the Scheme. An option is deemed to have been granted and accepted by the grantee upon the duplicate letter comprising acceptance of the option duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price of the share options will be determined by the board and shall not be less than the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant of the relevant option and (c) the nominal value of a share on the date of grant.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 80,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme unless shareholders' approval has been obtained. An option may be exercised during a period to be determined by the directors in their absolute discretion and in any event such period shall not be later than 10 years after the date of grant of the option.

The maximum entitlement for any participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Scheme in any 12-month period shall not exceed 1 percent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 percent limit shall be subject to certain requirements provided under the GEM Listing Rules.

At the end of the reporting period, no option has been granted under the Scheme since its adoption.

24. RESERVES

	The Company			
	Share premium HK$'000 (Note 24(a))	Contributed surplus HK$'000 (Note 24(f))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	–	–	(9,637)	(9,637)
Loss and total comprehensive loss for the year	–	–	(11,095)	(11,095)
Transaction with owners				
Placing of shares	48,000	–	–	48,000
Share placement expenses	(14,010)	–	–	(14,010)
Capitalisation issue	(5,900)	–	–	(5,900)
Arising from the Reorganisation	–	34,556	–	34,556
Total transactions with owners	28,090	34,556	–	62,646
At 1 January 2014	28,090	34,556	(20,732)	41,914
Loss and total comprehensive loss for the year	–	–	(6,550)	(6,550)
Transaction with owners				
Placing of shares on 16 May 2014	41,920	–	–	41,920
Placing of shares on 17 July 2014	38,400	–	–	38,400
Share placement expenses on 16 May 2014	(1,164)	–	–	(1,164)
Share placement expenses on 17 July 2014	(1,075)	–	–	(1,075)
Total transactions with owners	78,081	–	–	78,081
At 31 December 2014	**106,171**	**34,556**	**(27,282)**	**113,445**

24(a) SHARE PREMIUM

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business after the distribution.

24(b) CAPITAL RESERVE

The capital reserve arises from the business combination under common control in relation to the Reorganisation. The amounts represent the difference between aggregate net asset value of the subsidiaries and the investment costs in the subsidiaries.

The negative capital reserve represents the excess of "total investment costs in the subsidiaries" over "the aggregate net assets value of the subsidiaries".

Under merger accounting the net assets of the combining entities are combined using the existing book values from the Controlling Party's perspective. No amount is recognised as consideration for goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the Controlling Party's interest. Accordingly, the above mentioned difference has been recorded in the capital reserve under merger accounting.

24(c) EXCHANGE RESERVE

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries in the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 4 above.

24(d) STATUTORY RESERVE

The statutory reserves are reserves required by the Accounting Regulations for Business Enterprises applicable to the Company's PRC subsidiaries. The reserves can be used to reduce previous years' losses and to increase the capital of the subsidiaries.

24(e) OTHER RESERVES

During the year ended 31 December 2013, the Group acquired the remaining 50% equity interests in Win Top, which owns 100% equity interests in Wintop Logistics, at a consideration of HK$13,000,000. The carrying amount of the non-controlling interests in the two subsidiaries on the date of acquisition was HK$6,143,000. The Group derecognised non-controlling interests of HK$6,143,000 and recognised directly in equity attributable to owners of the parent of HK$6,857,000 for the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid.

24(f) CONTRIBUTED SURPLUS

The contributed surplus of the Company arose from the Reorganisation on 3 August 2013. The balance represents the difference between the nominal amount of the Company's shares issued and the consolidated shareholders' fund of the subsidiaries acquired during the Reorganisation.

25. CASH (USED IN) GENERATED FROM OPERATIONS

	2014 HK$'000	2013 HK$'000
(Loss) Profit before taxation	**(16,839)**	16,578
Depreciation	**7,850**	8,449
Foreign exchange differences	**29**	–
Interest income	**(280)**	(20)
Interest expenses	**1,280**	1,317
Share of results of associates	**(115)**	(1,267)
Loss on disposal of a subsidiary	**125**	–
(Gain) Loss on disposal of property, plant and equipment	**(4,294)**	79
Cash flow before changes in working capital:	**(12,244)**	25,136
Trade and other receivables	**25,050**	(4,318)
Trade and other payables	**(30,229)**	2,297
Cash (used in) generated from operations	**(17,423)**	23,115

26. DEFERRED TAXATION

The movements for the year in the Group's net deferred tax position are as follows:

	The Group 2014 HK$'000	2013 HK$'000
At beginning of the reporting period	**(665)**	(1,378)
Credit to profit and loss	**31**	711
At end of the reporting period	**(634)**	(667)

Recognised deferred tax liabilities at the end of the reporting period represent the following:

	The Group 2014 HK$'000	2013 HK$'000
Depreciation allowances	**(698)**	(662)
Tax losses	**68**	–
Others	**(4)**	(5)
Deferred tax liabilities	**(634)**	(667)

26. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group had unrecognised tax losses of approximately HK$16,389,000 (2013: HK$2,564,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The expiry dates of unrecognised tax losses are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Tax losses without expiry date	**15,225**	1,379
Tax losses expiring on 31 December 2019	**–**	–
Tax losses expiring on 31 December 2018	**267**	267
Tax losses expiring on 31 December 2017	**897**	918
Tax losses expiring on 31 December 2016	**–**	–
Tax losses expiring on 31 December 2015	**–**	–
At the end of the reporting period	**16,389**	2,564

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors.

As at 31 December 2014 and 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Groups' subsidiaries established in the PRC because these PRC subsidiaries have accumulated losses as at 31 December 2014 and 2013.

27. RELATED PARTY BALANCES/TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, the Group has the following transactions/balances with the following related parties during the year:

(i) Name of and relationship with the related parties

Name of related parties	Relationship
Mr. Lo Wong Fung, Mr. Lo Ka Man, Ms. Leung Wai Ching #, Mr. Yang Yue Xia, Mr. Jiang Tan Shan	Executive directors of the Company
GFII	Ultimate holding company in which Mr. Lo Wong Fung has beneficial interests
Earnward Warehouse Limited	Associate of the Group
Win Way Container Services Company Limited	Associate of the Group
Echo Chain Shipping Limited	Associate of the Group
Full & Fame Oil Product Agency Limited	Associate of the Group
Vanco Logistics Limited	Associate of the Group
廣州市道正物流有限公司	Associate of the Group
Forefront Group Limited	Indirect shareholder of GFII
Ms. Kwong Mi Li, Winnie	Key management personnel
Mr. Cheng, Tit Shan Sandy	Key management personnel

Ms. Leung Wai Ching has resigned on 1 April 2014

27. RELATED PARTY BALANCES/TRANSACTIONS *(Continued)*

(ii) Related party transactions

	2014 **HK$'000**	2013 HK$'000
Ocean freight income received from:		
Echo Chain Shipping Limited	**9,342**	9,225
Ocean freight charge paid to:		
Echo Chain Shipping Limited	**315**	90
Vanco Logistics Limited	**26**	216
Management fee income received from:		
Full & Fame Oil Product Agency Limited	**348**	228
Golden Fame International Investments Group Limited	**–**	120
Equipment rental received from:		
Earnward Warehouse Limited	**354**	1,680
Vanco Logistics Limited	**–**	156
Fuel and oil fee received from:		
Vanco Logistics Limited	**782**	327
Fuel and oil fee paid to:		
Full & Fame Oil Product Agency Limited	**4,112**	8,050
Administrative expenses paid to:		
Earnward Warehouse Limited	**212**	356
Remuneration paid to key management personnel (*)		
Salaries and other benefits	**2,374**	2,187
Contributions to defined contribution plan	**17**	30

* The remuneration of executive directors and non-executive directors are set out in note 9(i) to the consolidated financial statements.

28. DISPOSAL OF A SUBSIDIARY

On 25 August 2014, the Group disposed of its entire interests in 中山市伽瑪信息科技有限公司 to an independent third party at a consideration of Renminbi 1. 中山市伽瑪信息科技有限公司 was principally engaged in online trading business in the PRC but had not yet commenced business up to the date of disposal. The net assets disposed of in the transaction are as follows:

	HK$'000
Net assets disposed of:	
Other receivable and prepayment	109
Cash and cash equivalent	31
Accrual and other payable	(15)
	125
Loss on disposal	(125)
Total consideration	–
Analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Cash consideration received	–
Cash and cash equivalent	(31)
Net cash outflow arising on disposal of a subsidiary	(31)

29. COMMITMENTS

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases (other than Shipping Slot Charter Agreement (船舶運輸合同) mentioned below) which are payable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**3,197**	1,870
In the second to fifth years inclusive	**3,278**	323
	6,475	2,193

Operating lease payments represent rentals payable by the Group for its office premises and dormitories. Leases for office premises and dormitories are negotiated for terms ranging from 1 to 5 years with fixed rentals.

29. COMMITMENTS *(Continued)*

At the end of the reporting period, the Group had committed to pay for the use of flight services in relation to the minimum tonnage arrangement as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**1,908**	1,986

During the year, the Group entered into two kinds of agreements, namely Shipping Slot Charter Agreement (船舶運輸合同) and Usage Priority Agreements.

Charges under Shipping Slot Charter Agreement (船舶運輸合同) are usually calculated based on usage volume. Accordingly, there is no significant non-cancellable commitment as at 31 December 2014.

According to the Usage Priority Agreements, the Group has the exclusive preferential right to use the two (2013: three) vessels and to acquire the interest or to obtain the sales proceeds of disposal, which has to be approved by the Group in advance, of these vessels. The Group has controlled these vessels and their net book values have been recorded under property, plant and equipment accordingly. Therefore, there was no operating lease commitment in this regard as at 31 December 2014 and 2013.

The Company had no significant lease commitment as at 31 December 2014 and 2013.

30. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing borrowings, amounts due from/to associates and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are (i) foreign currency risk, (ii) interest rate risk, (iii) credit risk and (iv) liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors co-operates closely with key management to identify and evaluate risks and generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum level as follows:

(i) Foreign currency risk

Most of the Group's business transactions were conducted in Hong Kong dollars and Renminbi ("RMB"). Exposures to foreign currency risk arise from certain of the Group's trade and other receivables, trade and other payables and cash and bank balances denominated in RMB. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers there is no significant exposure on its foreign currency risk.

30. FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial risk management objectives and policies *(Continued)*

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing financial instruments including interest-bearing borrowings with variable interest rates and bank balances and cash.

The table below is a summary quantitative data about exposure to interest rates at the end of the reporting period:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**155**	400	**–**	–
Bank balances and cash	**92,380**	40,405	**77,071**	26,573
Bank overdraft, secured	**–**	(3,515)	**–**	–
Interest-bearing borrowings (with variable interest rate)	**(5,500)**	(12,392)	**–**	–
Net exposure	**87,035**	24,898	**77,071**	26,573

At the end of the reporting period, if interest rates had been 100 basis points lower/higher and all other variables were held constant, the Group's net loss would increase/decrease by HK$870,000 (2013: net profit would decrease/increase by HK$249,000).

At the end of the reporting period, if interest rates had been 100 basis points lower/higher and all other variables were held constant, the Company's net loss would increase/decrease by HK$771,000 (2013: HK$266,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

30. FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk

Credit risk mainly arises from restricted and unrestricted bank balances and cash, trade receivables, other receivables and amounts due from related parties. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**155**	400	**–**	–
Bank balances and cash	**92,380**	40,405	**77,071**	26,573
Trade and other receivables	**73,933**	98,036	**–**	–
Due from associates	**2,026**	2,349	**–**	–

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are creditworthy licensed banks. Management does not expect any counterparty to fail to meet its obligation.

The Group reviews the recoverable amount of each individual debtor, including related and third parties, at the end of the reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 December 2014, the Group had a concentration of credit risk as 10.1% (2013: 8.9%) of the total trade receivables was due from the Group's largest customer and 28.4% (2013: 25.2%) of the total trade receivables was due from the Group's five largest customers respectively.

30. FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses, additions or upgrades of property, plant and equipment and repayment of borrowings. The Group finances its working capital requirements mainly by the funds generated from operations, advances from related parties and use of bank borrowings.

The Group manages liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. Based on the assessment of the management, the overall liquidity risk encountered by the Group is manageable.

The maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted payments is summarised below:

The Group

	On demand	Less than 3 months	Over 3 months but not more 12 months	Over 1 year but not more than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014					
Trade and other payables	**28,567**	**19,622**	**–**	**–**	**48,189**
Due to associates	**9,147**	**–**	**–**	**–**	**9,147**
Obligations under finance leases	**–**	**406**	**1,209**	**3,149**	**4,764**
Loan from a third party	**–**	**110**	**5,830**	**–**	**5,940**
Financial guarantee issued to suppliers	**7,491**	**–**	**–**	**–**	**7,491**
	45,205	**20,138**	**7,039**	**3,149**	**75,531**
At 31 December 2013					
Trade and other payables	50,964	28,130	–	–	79,094
Due to associates	9,084	–	–	–	9,084
Obligations under finance leases	–	286	848	3,403	4,537
Bank overdrafts and borrowings	15,907	–	–	–	15,907
Financial guarantee issued to suppliers	2,000	–	–	–	2,000
	77,955	28,416	848	3,403	110,622

30. FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk *(Continued)*

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "on demand" bracket. In this regard, interest bearing loans of approximately HK$Nil as at 31 December 2014 (2013: HK$2,828,000) (see note 20) have been so classified even though the directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	The Group	
	2014	2013
	HK$'000	HK$'000
Interest bearing borrowings with a repayment on demand clause based on contractual undiscounted payments:		
After 1 year but not more than 2 years	**–**	2,169
Over 2 years but not more than 5 years	**–**	776
	–	2,945

	The Company On demand	
	2014	2013
	HK$'000	HK$'000
Other payables and accrual	**1,373**	2,214
Amount due to a subsidiary	**8**	28,256
	1,381	30,470
Financial guarantees (note 31)	**775**	17,907

(b) Capital management

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The capital structure of the Group mainly consists of interest-bearing borrowings and equity attributable to equity owners of the Company.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

30. FINANCIAL INSTRUMENTS *(Continued)*

(c) Categories and fair value of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables:				
Trade and other receivables	**75,959**	100,385	**–**	–
Pledged bank deposits	**155**	400	**–**	–
Bank balances and cash	**92,380**	40,405	**77,071**	26,573
Amount due from subsidiaries	**–**	–	**14,013**	18,950
	168,494	141,190	**91,084**	45,523

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised costs:				
Trade and other payables	**57,336**	88,178	**1,373**	2,214
Current portion of interest-bearing borrowings	**6,909**	13,310	**–**	–
Non-current portion of interest-bearing borrowings	**2,942**	3,107	**–**	–
Bank overdrafts (secured)	**–**	3,515	**–**	–
Amount due to a subsidiary	**–**	–	**8**	28,256
	67,187	108,110	**1,381**	30,470

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

31. FINANCIAL GUARANTEES

The Company has issued several guarantees in respect of banking facilities granted to the subsidiaries to the total extent of HK$16,100,000 (2013: HK$44,406,000) without charge. The Company has not recognised a value for the financial guarantees in the financial statements as their fair values are insignificant and their transaction price is HK$nil.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under these guarantees. The maximum liability of the Company at the end of the reporting period under these guarantees is HK$775,000 (2013: HK$17,907,000), representing the banking facilities drawn down by the subsidiaries at the end of the reporting period.

32. PLEDGE OF ASSETS/BANKING FACILITIES

The details of pledge of assets and the banking facilities granted to the Group and the Company are summarised as follows:

	2014 HK$'000	2013 HK$'000
Total banking facilities granted (note 1)	**26,100**	44,406
Total utilised banking facilities (note 2)	**7,491**	17,907

Note 1

At the end of the reporting period, the Group had obtained several banking facilities amount of HK$26,100,000 (2013: HK$44,406,000) of which:

(i) HK$16,100,000 (2013: HK$44,406,000) are guaranteed by the Company and secured by pledged bank deposit as shown in note 18(a) to the consolidated financial statements; and

(ii) HK$10,000,000 (2013: HK$Nil) are cross guaranteed among certain subsidiaries of the Group.

Note 2

As at 31 December 2014, the banking facilities utilised amounted to HK$7,491,000, all being bank guarantees issued by bankers in favour of the suppliers of subsidiaries, of which HK$6,716,000 (out of the HK$10,000,000 facilities) are cross guaranteed among certain subsidiaries of the Group and HK$775,000 (out of the HK$16,100,000 facilities) are guaranteed by the Company and secured by pledged bank deposit.

As at 31 December 2013, the banking facilities utilised amounted to HK$17,907,000 of which HK$2,000,000 represented bank guarantee issued by a bank in favour of a supplier of a subsidiary and the remaining amount of HK$15,907,000 represented bank overdrafts and borrowings drawn down by certain subsidiaries. The entire utilised banking facilities are guaranteed by the Company.

The Company has not recognised a value for the financial guarantees in the financial statements as their fair values are insignificant and their transaction price is HK$nil.

33. EVENTS AFTER THE REPORTING PERIOD

On 22 January 2015, the Controlling Party of the Company entered into a sale and purchase agreement with Dafeng Port Overseas Investment Holdings Limited ("Offeror"). Pursuant to the terms of the sale and purchase agreement, the Offeror has agreed to acquire and the Controlling Party has agreed to sell in aggregate 520,000,000 shares of the Company ("Sale Shares"). The Sale Shares represent approximately 46.43% of the entire issued share capital of the Company as at 31 December 2014. The consideration for the Sale Shares is HK$197,600,000, equivalent to HK$0.38 per Sale Share.

Other than the Sale Shares, there is no significant event taking place subsequent to 31 December 2014.

FINANCIAL SUMMARY

RESULTS

	2014 HK$'000	2013 HK$'000	2012 HK$'000 (Note)	2011 HK$'000 (Note)
Revenue	**367,620**	466,456	452,111	444,376
(Loss) profit before taxation	**(16,839)**	16,578	15,610	14,987
Income tax expense	**(1,738)**	(3,890)	(3,044)	(3,345)
(Loss) profit for the year	**(18,577)**	12,688	12,566	11,642

ASSETS AND LIABILITIES

	2014 HK$'000	2013 HK$'000	2012 HK$'000 (Note)	2011 HK$'000 (Note)
Total assets	**201,523**	181,213	143,325	158,628
Total liabilities	**(69,813)**	(112,235)	(107,212)	(143,476)
Total equity	**131,710**	68,978	36,113	15,152

Note: The figures for the two years ended 31 December 2011 and 2012 have been extracted from the Prospectus of the Company dated 14 August 2013.