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

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

ANNUAL REPORT 2015

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUTHORISED REPRESENTATIVE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

REGISTERED OFFICE

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Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 18, 1st Floor, Sino Industrial Plaza
9 Kai Cheung Road
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Hong Kong

COMPLIANCE ADVISER

RHB Capital Hong Kong Limited

COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
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 BANKER

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

COMPANY'S WEBSITE

www.ontime-express.com

STOCK CODE

6123

CHAIRMAN'S STATEMENT

The year 2015 was a tough year for most of the freight forwarders in Asia. Excess capacity for both air freight and sea freight from actual demand drove keen competition. Fluctuation in exchange rates affected a lot of emerging markets.

The Group recorded a decrease of about 19.8% in net profit for the year as compared to 2014. This is mainly due to the drop in gross profit on shipments of the Group's air freight business handled for our major market – Europe being affected by the sluggish economy.

Despite the impact of the above major factors attributed to the decrease in net profit, we are pleased to see a growth in gross profit in shipments of the Group's air freight business handled for North America market as well as an encouraging growth in e-commerce transportation. This affirms the right direction of the Group in strengthening its sales and presence in the United States market and in exploring further opportunities in the e-commerce industry. The logistics service agreement entered by an indirect wholly owned subsidiary of the Company, eTotal Solution Limited, with Zhejiang Cainiao Supply Chain Management Co. Limited in July 2015 marks a milestone in the Group's business development in e-commerce transportation. The Group has evolved from a traditional freight forwarder to a logistics service provider of a full range of services including air and ocean freight forwarding, ancillary and contract logistics, and express/parcel delivery service.

STAY AHEAD OF CHALLENGE

Freight forwarding is a people industry. As a multi-national freight forwarding company, we operate on an "asset light" business model. We need an experienced and specialized workforce and good IT solutions to enable us to render high quality customer service and develop alternative solutions. The Group will continue to invest in staff training and development and to strengthen our existing IT system.

Flexibility is a crucial approach in response to changing economic conditions. We play offence or defence according to opportunities or threats that we face.

Recognising e-commerce is a rising force to the demand in freight forwarding, we take an adaptive strategy to meet such trend. In addition to the offer of transport and logistics solutions, we also provide cross-border e-commerce transportation service which covers from first mile pick up till last mile delivery in e-commerce market. We anticipate to extend our cross-border e-commerce transportation service from currently in Russia and certain countries in Eastern Europe to more countries.

LOOKING FORWARD

After the slow trade growth in the year 2015, we are optimistic to the economy this year in light of the Europe Quantitative Easing which is expected to boost consumers' buying power, and United States Federal Reserve's cautious stance on further increase in interest rate. Our goal is to maintain our market share in Europe and to strengthen our presence in the United States. Cross-border e-commerce transportation is an area on which we will focus in 2016 in order to capture opportunities arising from market demand.

THANK YOU

I want to thank our Shareholders for their confidence and loyalty, our fellow members of the Board for their invaluable insight and guidance, and our senior executives and partners for their continuous support. Last but not least, I would also like to thank all our employees for their commitment and contribution over the past year.

Lam Chun Chin, Spencer
Chairman & Chief Executive Officer

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board is pleased to report the audited annual results of the Group for the FY2015. During the FY2015, the demand for logistics and freight forwarding services decreased corresponding with the slowdown of the global economy. However, the Group has caught the boom of the e-commerce business and gained the market share of the consolidation delivery of the small parcels.

Financial Results

Same as the FY2014, the Group's revenue for the FY2015 is mainly supported by the performance of the air freight business. The Group recorded revenue of about HK$3,223.6 million during the FY2015 (FY2014: about HK$3,468.1 million), representing a drop of about 7.0%. Gross profit amounted to about HK$520.7 million during the FY2015 (FY2014: about HK$509.8 million), representing a slight increase of about 2.1%. Gross profit margin during the FY2015 was about 16.2% (FY2014: about 14.7%). Net profit was about HK$52.4 million during the FY2015 (FY2014: about HK$65.3 million), representing a decrease of about 19.8% while the net profit attributable to owners of the Company dropped by about 16.2% to about HK$49.9 million during the FY2015 (FY2014: about HK$59.6 million). The decrease in net profit was mainly due to the decrease in demand for air freight services, the poor economy in Europe and South America, the increment of staff cost and rental expense due to the expansion of sales team and ancillary and contract logistics services business, the increment in provision of doubtful debts and bad debts during the year (specially for one of the Group's agents in Brazil and the default in payment thereby and the provision for doubtful debts in respect of the outstanding trade receivable owed by that agent in FY2015) and the absence of any substantial increase in revenue brought by the air freight segment for the first six months in 2015, as contrasted with the significant increase in revenue of the air freight segment brought by the substantial increase in volume of shipments by a customer in the first six months of 2014.

Segmental Analysis

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

Air Freight

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 67.4% of the Group's total revenue during the FY2015 (FY2014: about 68.5%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including honours from the World Cargo Alliance, and "Top Agent Award" from Cathay Pacific Cargo/Dragonair Cargo each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

Leveraging its strong relationship with customers, during the FY2015, the Group entered into a subcontracting agreement with Posti Ltd ("Posti") and a logistics services agreement with Zhejiang Cainiao Supply Chain Management Co. Limited ("Cainiao"), which contributed to a substantial increase in shipment volume during the FY2015, and compensated parts of the absence of substantial volume of shipments during the FY2015 by a customer of the Group who had substantially increased the Group's volume of shipments in the first half year in 2014. Together with strong links with major airlines, the air freight business recorded revenue of about HK$2,171.1 million during the FY2015 (FY2014: about HK$2,375.5 million), representing a decrease of about 8.6%. Gross profit of the segment also dropped from about HK$315.5 million in FY2014 to about HK$286.8 million during the FY2015, representing a decrease of about 9.1%. In respect of air import and export tonnage, the Group noted a total decrease of tonnage of about 10.4% for the FY2015 when compared to the FY2014. During the FY2015, the Group closed down some of the offices which had been in deficit and 52 offices around the world remained as at 31 December 2015, out of which 43 offices are located in 13 Asian countries and territories, comprising Hong Kong, the PRC, Cambodia, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, the United Arab Emirates and Vietnam, 1 office in Europe and 8 offices in America.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Segmental Analysis (Continued)

Ocean Freight

Contributing about 27.8% of the Group's total revenue during the FY2015 (FY2014: about 28.1%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage service. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations systems, have enabled the Group to capture the ocean freight market growth. During the FY2015, despite stiff headwinds experienced in the market and slower consumer demand for ocean freight, this segment still managed to achieve revenue with a slight drop of about 8.1% to about HK$895.1 million (FY2014: about HK$974.5 million). Owing to better cost control, gross profit increased to about HK$170.2 million during the FY2015 (FY2014: about HK$153.0 million), representing an increase of about 11.2%. The cost decreased significantly in Asia and the Middle East due to the excess supply of the ocean freight cargo space, leading to a decrease of general rate. During the FY2015, the ocean freight shipping volume handled by the Group reached 105,734 twenty-foot equivalent unit (FY2014: 106,272 twenty-foot equivalent unit), representing a slight decrease of about 0.5%.

GSA Business

The GSA business involves agreements entered into between the Group and regional airlines, whereby the Group subsequently acts as a wholesaler of the airlines' cargo space. During the FY2015, due to the termination of airline appointment, the revenue of the GSA business decreased to about HK$11,000 (FY2014: about HK$3.2 million). The Group's revenue generated from GSA recorded as net agency income, therefore the Group's gross profit margin of the GSA business maintained at 100% during the year.

Ancillary and Contract Logistics Services

Accounting for about 2.4% of the Group's total revenue during the FY2015 (FY2014: about 1.3%), the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery service for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's IT platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the FY2015, the Group has adjusted its warehouse operation to cope with market conditions. Consequently, this business result was reflected with an achievement in revenue of about HK$75.8 million during the FY2015 (FY2014: about HK$45.1 million), representing an increase of about 68.1% and the gross profit was about HK$41.7 million during the FY2015 (FY2014: about HK$24.8 million), representing an increase of about 68.1%.

Others

The other businesses include trucking, combined shipments, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allows the Group to charge higher fees and consequently benefit from higher profits. During the FY2015, the other businesses recorded revenue of about HK$81.6 million (FY2014: about HK$69.8 million), representing an increase of about 16.9%, and gross profit of about HK$22.0 million (FY2014: about HK$13.3 million), representing an increase of about 65.4%. The increase of gross profit for other businesses during the FY2015 was contributed mainly by the increase of combined shipments.

Liquidity and Financial Resources

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

The Group's working capital as at 31 December 2015 was about HK$378.1 million, representing a slight increase of about 6.2% from about HK$356.1 million as at 31 December 2014. The current ratio of the Group improved from about 1.79 times as at 31 December 2014 to about 2.01 times as at 31 December 2015.

As at 31 December 2015, the Group's bank balances and cash amounted to about HK$242.3 million, representing a slight decrease of about 0.3% from about HK$243.0 million as at 31 December 2014. For the FY2015, the Group had operating cash inflow of about HK$102.6 million (FY2014: operating cash inflow of about HK$68.3 million). As at 31 December 2015, the

BUSINESS REVIEW (CONTINUED)

Liquidity and Financial Resources (Continued)

Group's outstanding bank borrowings amounted to about HK$98.6 million (as at 31 December 2014: about HK$148.9 million). The gearing ratio of the Group was about 20.7% as at 31 December 2015 (as at 31 December 2014: 33.4%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2015, the Group maintained a net cash position (as at 31 December 2014: net cash position). The Group will continue to secure financing as and when the need arises.

Foreign Exchange Risk

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, US$, RM, SGD, THB, INR, EUR, GBP, CAD, TWD, JPY, VND, IDR, KRW and AED among which, RMB, EUR and US$ are mostly used in the Group's business apart from HK$. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HK$ is pegged to US$. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the FY2015 and in FY2014. The Group continues to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the FY2015.

Capital Expenditure Commitments

The Group did not have any capital expenditure commitments as at 31 December 2015 (as at 31 December 2014: nil).

Charge on Assets

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

	2015 *HK$'000*	**2014** *HK$'000*
Trade receivables	57,919	119,927
Held for trading investments	929	1,044
Pledged bank deposits	11,976	11,088
	70,824	132,059

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the FY2015, the Company has acquired 13% of the entire equity interest of a PRC courier company, 北京明邦物流股份有限公司 (DNJ Logistic Company Limited), with a consideration of about HK$17.4 million. Save as disclosed, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company during the FY2015.

PROSPECTS

Despite the economic slowdown in Europe and South America markets for the year, looking ahead, the global demand, led by the e-commerce business and the rebound of the United States and Europe business environment, for logistics and freight forwarding services is expected to remain healthy in the medium to long term. According to a market research conducted by a market research institution which was commissioned by the Company, total global transportation volume of cargo will reach about 105,592.2 million tonnes in 2016, which indicates considerable market growth potential.

Strengthen Global Presence and Expand Office Network

To capitalize on growing demand in future, the Group has employed an aggressive market expansion strategy in Asia and the Middle East. This allows the Group to specifically meet the increasing cross-border logistics service demand, and in turn capture greater market share and trade volume. In respect of market expansion in North America, this will be facilitated by generating greater network synergies through employing quality staff, enhancing the quality of services and product and seeking strategic acquisitions. As announced by the Company on 22 May 2015, On Time Express Limited ("OT HK") has entered into a subcontracting agreement with Posti, an independent third party, whereby Posti has appointed OT HK as its

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (CONTINUED)

Strengthen Global Presence and Expand Office Network (Continued)

sub-contractor for provision of warehousing, international transshipment, customs clearance, and product delivery services to sellers of a global retail online platform which place orders on Cainiao's logistics information service platform. Furthermore, as set out in the Company's announcement dated 22 September 2015, an indirect wholly owned subsidiary of the Company, has entered into a logistics service agreement with Cainiao, an independent third party, whereby Cainiao has appointed such subsidiary as one of its logistic service providers for the provision of the collecting, warehousing, airlines transportation, distribution, customs clearance, destination transportation and other value-added services related to logistic services to sellers of a global retail online platform who place orders through Cainiao's logistics information service platform. The Directors do not anticipate such new venture to require significant resources on the part of the Group, but it is expected and is hopeful that this will create a significant channel for strengthening the Group's air freight services.

Enhance Core Businesses with Growth Potential

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

Explore E-commerce Opportunities and Bolster IT Capability

As one of the important focus areas of the Group going forward, the Group will continue to explore e-commerce opportunities, such as the possibility of encouraging the cross-selling of goods among its existing direct customers, which currently comprise about 28,000 customers. Those customers, which were engaging in garments, footwear and electronics, would also be provided with sales opportunities that enable them to tap into new markets, gain new business and attract new customers while relying on the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure, and thus such platform could benefit all parties concerned. To expedite development of the e-commerce business, a dedicated team has been established within the year which possesses experience in e-commerce marketing, relevant technical expertise and the capacity to identify products with good online sales potential. The Group will also examine potential acquisitions that enable the e-commerce business to benefit from further integration. In order to facilitate the Group's aggressive market expansion and enhancement of core businesses with the aim to capture opportunities arising from the increasing market demand, the recruitment of more business development personnel will be pursued as well. Currently, the Group has invested in two online platforms, namely, "www.holicbuy.com" and "www.bfme.com".

HUMAN RESOURCES

As at 31 December 2015, the Group employed about 1,140 employees (as at 31 December 2014: about 1,100 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. Training activities have also been conducted to improve the performance of sales and marketing activities and customer services.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the banking facilities (the "Facility Letter") granted by a bank in Hong Kong to OT HK, an indirect wholly owned subsidiary of the Company, the bank has agreed to grant to OT HK (i) a loan in the sum of HK$80 million (the "Bridging Loan") which shall be repayable within one year from drawdown or upon the successful listing of its Shares on the Main Board of the Stock Exchange, whichever is earlier; and (ii) other facilities ("Other Facilities") in the aggregate sum of HK$60 million which shall be subject to renewal by 15 July 2016. On 7 July 2014, the Group has drawn the Bridging Loan of HK$36.6 million. The Bridging Loan has been fully repaid on 7 August 2014 and terminated thereafter. After the repayment of the Bridging Loan, the Other Facilities has been increased to the aggregate sum of HK$125.2 million which shall be subject to renewal by 15 July 2016. The Facility Letter contains a condition which requires Mr. Lam, one of the controlling Shareholders, to remain as the chairman of the Company and the largest single Shareholder with shareholding of no less than 40% in the Company. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in the aggregate sum of HK$125.2 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As at 31 December 2015, the total amount of the loan drawn by the Group from the Facility Letter and other loan agreements and/or banking facilities amounted to about HK$98.6 million. As of the date of this report, OT HK is in compliance with the Facility Letter.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF DIRECTORS

Executive Directors

Mr. Lam Chun Chin, Spencer ("Mr. Lam"), aged 57, is an executive Director, the chairman of the Board, the chief executive officer of the Company, the chairman of the Nomination Committee and a member of the Remuneration Committee. He was appointed as a Director on 6 March 2013 and re-designated as an executive Director on 20 December 2013. Mr. Lam is the founder of the Group and he is responsible for overall strategic development, and leading the business development of the Group. Prior to the establishment of the Group in 1995, Mr. Lam had been an assistant route manager from May 1984 to December 1986 and was then promoted as route manager from January 1987 to June 1988, as assistant sales manager from July 1988 to December 1989, as sales manager from January 1990 to December 1990 and as an assistant general manager from January 1991 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. He was mainly responsible for the overall sales strategy as well as sales activities of Freight Express International Ltd. on the east and westbound sector for air freight, sea freight and sea-air traffic worldwide. He has over 32 years of experience in operation and management of freight forwarding and logistics industry. Mr. Lam obtained his diploma in management studies which was jointly awarded by Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) and The Hong Kong Management Association in September 1991. He is also a director of certain subsidiaries of the Company. Mr. Lam is the beneficial owner and the sole director of Golden Strike International Limited, one of the controlling Shareholders.

Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch"), aged 51, is an executive Director, the vice-chairman of the Board and chief operating officer of the Company. Mr. Haenisch is responsible for overall sales and leading the business development of the Group and communication with key customers and suppliers. He joined the Group in January 1998 and worked as a director of international sales from January 1998 to February 1998. Mr. Haenisch has been the managing director of the Group since March 1998 and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, he had been a marketing executive from May 1994 to July 1995 and was later promoted as sales manager in charge of European traffic from August 1995 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. Mr. Haenisch was mainly responsible for the sales activities of Freight Express International Ltd. He has over 22 years of experience in sales and management of freight forwarding and logistics industry. Mr. Haenisch obtained a master's degree in business administration from University of Osnabrück of Germany in March 1992. He is also a director of certain subsidiaries of the Company. Mr. Haenisch is the beneficial owner and the sole director of Polaris International Holdings Limited, one of the controlling Shareholders.

Ms. Cheung Ching Wa, Camy ("Ms. Cheung"), aged 50, is an executive Director and chief administrative officer of the Company. She is responsible for overall administration and management and IT development of the Group. Ms. Cheung joined the Group in November 1997 and worked as an executive secretary from December 1997 to December 2000. She has been the general manager of the Group since January 2001 and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, Ms. Cheung has acquired secretarial experiences by working in Nina Ricci (Far East) Ltd., which was then principally engaged in perfume trading, the Hongkong and Shanghai Banking Corporation Limited, Gemex Trading Limited, which was then principally engaged in trading, and Freight Express International Ltd., which was then principally engaged in freight forwarding service during June 1986 to November 1997. She has over 23 years of experience in administration and management of freight forwarding and logistics industry. She completed a course in office management for secretaries and administrative assistants from Centre for Professional and Continuing Education (currently known as College of Professional and Continuing Education) of The Hong Kong Polytechnic University in September 1997. Ms. Cheung graduated from the Bolton Institute of Higher Education (currently known as University of Bolton) of the United Kingdom with a bachelor's degree in business studies in June 2003. She is also a director of certain subsidiaries of the Company.

Ms. Wong Pui Wah ("Ms. Wong"), aged 41, is an executive Director, chief financial officer of the Company, the Company Secretary and the chairlady of the Corporate Governance Committee. She is responsible for overall financial and banking management of the Group. Starting from 1 January 2016, she is also responsible for overall human resources and administrative management of the Group. Ms. Wong joined the Group in March 2006 and worked as an accounting manager. She became the financial controller of the Group since August 2006. She was appointed as an executive Director on 20 December 2013. Prior to joining the Group, Ms. Wong had acquired auditing and accounting experiences by working in various accountancy firms which include Frank Ho & Co., Y.L. Ngan & Company, C.W. Leung & Co. and RSM Nelson Wheeler (currently known as RSM Hong Kong) during June 1998 to March 2006. She has over 17 years of experience in auditing, accounting and financial management. Ms. Wong graduated from Lingnan College (currently known as Lingnan University) with a bachelor's degree in business administration in November 1998. She also obtained a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2010. She is a non-practising member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Wong is also a director of certain subsidiaries of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

BIOGRAPHIES OF DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Dennis Ronald de Wit ("Mr. D.R. de Wit"), aged 57, is an executive Director. He is responsible for overall sales, leading the business development of the Group and communication with key customers and suppliers in the Netherlands, central Europe and the United States. Mr. D.R. de Wit joined the Group in December 2011 as a result of the Group's acquisition of OTX Logistics B.V. and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, he had been a director from March 1984 to October 1986 of Allfreight International B.V., which was then principally engaged in freight forwarding services, and was mainly responsible for the overall management. Mr. D.R. de Wit managed Internationaal Expeditiebedrijf Ebrex Air B.V., which was then principally engaged in freight forwarding services, through his management company D.R. de Wit Beheer B.V. from December 1987 to June 1993. He has been a director of OTX Logistics B.V., an indirect non-wholly owned subsidiary of the Company, since May 1999. Mr. D.R. de Wit is also a director of certain subsidiaries of the Company.

Independent non-executive Directors

Mr. Ng Wai Hung ("Mr. Ng"), aged 52, is an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Ng is qualified as a solicitor in Hong Kong and he is currently a partner in Iu, Lai & Li Solicitors & Notaries.

Currently, Mr. Ng is acting as an independent non-executive director of the following companies listed on the Stock Exchange:

Name of listed company	Stock code
Lajin Entertainment Network Group Limited (formerly known as "China Star Cultural Media Group Limited"; name changed with effect from 3 July 2015)	8172
Fortune Sun (China) Holdings Limited	352
GOME Electrical Appliances Holding Limited	493
Sustainable Forest Holdings Limited	723
Trigiant Group Limited	1300
Tech Pro Technology Development Limited	3823
Kingbo Strike Limited	1421

Mr. Poon Ka Lee Barry ("Mr. Poon"), aged 56, is an independent non-executive Director, the chairman of the Remuneration committee and a member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Poon obtained a professional diploma in accountancy from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983 and a master's degree in business administration from the University of Manchester of the United Kingdom in December 2002. He is currently a practising member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants. He has over 27 years of experience in audit, accounting and finance. Mr. Poon has been appointed as an independent non-executive director of World-Link Logistics (Asia) Holding Limited (stock code: 8012), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 16 December 2015. He resigned as an executive director, chief financial officer and company secretary of China Healthcare Enterprise Group Limited (name changed from "Telefield International (Holdings) Limited" on 4 February 2016; stock code: 1143), a company listed on the Main Board of the Stock Exchange, with effect from 4 November 2015.

Mr. Wong See Ho, B.B.S. ("Mr. Wong"), aged 66, is an independent non-executive Director and the chairman of the Audit Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, qualified in July 1974 and has over 20 years of working experience in accounting with Cathay Pacific Airways Limited. He started his accounting career with Cathay Pacific Airways Limited, which is principally engaged in aviation services, in September 1968 and was promoted to become general manager of finance in January 1989 before he moved into general management work starting with Swire Air Catering Services Limited (now known as Cathay Pacific Catering Services (H.K.) Limited), which is principally engaged in airline catering, as its chief executive and general manager in December 1992 until March 1999. Mr. Wong was also a director of Vogue Laundry Service Limited, which is principally engaged in laundry and dry cleaning services, from March 1990 to December 1999, and was appointed as its chairman in November 1994. He was then appointed as managing director of Hong Kong Air Cargo Terminals Limited, an air cargo terminal operator at Hong Kong International Airport, in April 1999 and worked until August 2010, and was its senior advisor from September 2010 to May 2012. Mr. Wong has been elected a Chartered Fellow of The Chartered Institute of Logistics and Transport in Hong Kong in August 2011. Mr. Wong is presently a member of the Aviation Development and Three-runway System Advisory Committee appointed by The Government of the Hong Kong Special Administrative Region. Mr. Wong was awarded the Bronze Bauhinia Star by The Government of the Hong Kong Special Administrative Region in July 2011 in recognition of his dedication and valuable contribution to the development of the logistics industry in Hong Kong.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

BIOGRAPHIES OF SENIOR MANAGEMENT

Mr. Lau Wai Man, aged 44, is the air freight director of the Group. He has been with the Group since June 1998. Mr. Lau has been the Group's operations manager from June 1998 to December 2011, where he was responsible for operational matters, and he was promoted to the Group air freight director at the end of 2011. He obtained a certificate in air freight forwarding from the Vocational Training Council of Hong Kong in July 1992. He then completed a traineeship as an airfreight operations clerk in September 1993. Mr. Lau also obtained a professional diploma in inventory and logistics management from The Hong Kong Management Association in September 2002, a continuing education diploma in management studies from City University of Hong Kong in July 2010 and a bachelor's degree in logistics from University of Huddersfield of the United Kingdom in November 2012. He is a chartered member of The Chartered Institute of Logistics and Transport since June 2013.

Mr. Cheng Wai Kit, Matthew, aged 45, is the seafreight and account manager of the Group. He has been with the Group since April 2011. Mr. Cheng has over 21 years of experience in operation and management of freight forwarding and logistics industry. Mr. Cheng had obtained a diploma in business management from the School of Continuing Education of Hong Kong Baptist University in December 2001 and a bachelor's degree in logistics from the University of Huddersfield of the United Kingdom in June 2006. He has been elected as a full member of The Hong Kong Management Association in March 2007, a chartered member of The Chartered Institute of Logistics and Transport in June 2007, and he was elected as an executive committee member of the Hong Kong Sea Transport and Logistics Association since January 2009.

Mr. Cheung Hin Wai, aged 42, is the operational control director of the Group. He has been with the Group since February 2002. Mr. Cheung was the Group's seafreight operations supervisor from February 2002 to January 2003 of OT HK, branch manager from February 2003 to January 2004 of the Group's Guangzhou branch office and China manager from February 2004 to January 2016. He has over 18 years of experience in warehouse and logistics industry and over 11 years of working experience in the PRC. Mr. Cheung obtained a bachelor of social science with major in geography and minor in economics from The Chinese University of Hong Kong in December 1997. Mr. Cheung completed and passed the training for ISO 9001: 2008 and ISO 14001: 2004 held by Shanghai Chance Management Consultant Co., Ltd. in December 2012. Currently, he is stationed in Shanghai and oversees all the PRC operations.

Mr. Louis Francois Frederic Malouvier, aged 37, is the regional director for South East Asia of the Group with effect from 1 January 2016. He was a trade lane manager for Mediterranean and African regions of the Group before his promotion. He has been with the Group since August 2010. Prior to joining the Group, he had been a sales representative from September 2003 to July 2006 in Derudder SA, a Le Havre French freight forwarder. Mr. Malouvier then worked at Bofill & Arnan S.A., which was then principally engaged in the provision of logistics services. He had been a headquarters representative in Seoul, Korea of Bofill & Arnan S.A. from September 2006 to January 2008, and was mainly responsible for coordination with headquarters and overseas network. He had been an operations and sales manager of Hong Kong office of Bofill & Arnan S.A. from February 2008 to July 2010 and he was mainly responsible for air and sea operations and sales covering agents and direct customers.

Mr. Martijn Joel Tenniglo, aged 47, is the trade lane director of the Group. He is responsible for the overseas network of the Group, overseeing the development, sales and profitability of the sales with the international partners of the Group. He joined the Group in 2008 in a role as regional development manager firstly based in Hong Kong and then in Shanghai, and returned to Hong Kong to become the trade lane director on 1 January 2016. Previous to joining the Group, Mr. Tenniglo has been working in logistics industry for over 20 years and on three continents. He was the assistant export manager of American Overseas Air Freight, Inc. in Los Angeles from 1994 to 2000, a logistics consultant with LogiGo.com in the Netherlands from 2000 to 2001, the office manager of Racon Air B.V. in the Netherlands from 2001 to 2005 and sales manager at Unique Logistics B.V. in the Netherlands from 2005 to 2008. He was appointed as senior management and head of trade management of the Group on 1 October 2015.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements for the FY2015.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 6 March 2013. The Shares were listed on 11 July 2014 on the Main Board of the Stock Exchange.

The Company acts as an investment holding company. The activities of its principal subsidiaries are provision of freight forwarding services.

The principal activities of the principal subsidiaries are set out in note 43 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

RESULTS AND DIVIDENDS

The results of the Group for the FY2015 are set out in the consolidated statement of profit or loss on page 35.

The Board recommended a payment of final dividend of HK1.3 cents (2014: HK1.6 cents) per Share, absorbing a total amount of about HK$5,366,000 (2014: HK$6,640,000), in respect of the FY2015, which is subject to the approval of the Shareholders at the 2016 AGM to be held on Monday, 13 June 2016. The proposed final dividend is expected to be paid on Wednesday, 27 July 2016 to all Shareholders whose names to be appeared on the register of members of the Company on Wednesday, 29 June 2016.

SUMMARY OF FINANCIAL INFORMATION

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

BUSINESS REVIEW

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

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Environment protection

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

Relationships with key stakeholders

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

Employees

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

Customers

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

Vendors

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

Shareholders

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

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

As disclosed in the Prospectus, a branch office of OTX Logistics, Inc., an indirect wholly owned subsidiary of the Company, occupied a premises in Houston, Texas, the United States, which is leased to an independent third party by the landlord. The Group had been paying the rents for the occupation of such premises. The Group moved out from such premises upon expiry of the existing lease on 30 June 2015 and such arrangement has therefore ceased.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The decrease in the fair value of the investment properties which has been charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK$191,000.

The decrease in the fair value of the property, plant and equipment which has been charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK$204,000.

Details of these and other movements in the investment properties and property, plant and equipment of the Group are set out in notes 17 and 18 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of share capital are set out in note 34 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the FY2015, the Company repurchased on the Stock Exchange a total of 434,000 Shares at a total consideration of HK$480,540. Such Shares had been cancelled on 14 October 2015. Details of the share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share Highest	Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
September 2015	434,000	1.13	1.07	480,540

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the FY2015. The purchase of the Shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per Share and earnings per Share.

RESERVES

Details of the movements in the reserves of the Group and the Company during the FY2015 are set out in the consolidated statement of changes in equity and note 42 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserve as at 31 December 2015 is set out in the consolidated statement of changes in equity.

DIRECTORS

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

Executive Directors:

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

Independent Non-executive Directors:

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

In accordance with the Articles, Mr. Dennis Ronald de Wit, Mr. Poon Ka Lee, Barry, and Mr. Wong See Ho will retire at the forthcoming AGM and all of them, being eligible, offer themselves for re-election at the forthcoming AGM.

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

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

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

Name of Director	The company in which the interest is held	Capacity/ nature of interest	Number of shares involved	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	The Company	Interest of a controlled corporation *(Note 1)*	192,000,000	46.31%
		Beneficial owner	100,000	0.03%
		Total	192,100,000	46.34%
Mr. Hartmut Ludwig Haenisch	The Company	Interest of a controlled corporation *(Note 2)*	105,000,000	25.33%
Ms. Cheung Ching Wa, Camy	The Company	Interest of a controlled corporation *(Note 3)*	3,000,000	0.73%
		Beneficial owner	2,498,000	0.60%
		Total	5,498,000	1.33%
Mr. Dennis Ronald de Wit	OTX Logistics B.V. (associated corporation)	Interest of a controlled corporation *(Note 4)*	21,575	25%

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

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

Notes:

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

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

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

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

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

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

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

* The percentage represents the number of shares/underlying shares involved divided by the number of the Company's/the relevant associated corporation's issued shares as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 41 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the FY2015 or at any time during the FY2015.

PERMITTED INDEMNITY PROVISION

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the FY2015 and as at the date of approval of this report of the Directors, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he/she is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the FY2015, no claims were made against the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam, Mr. Haenisch, Ms. Cheung, Ms. Wong and Mr. D.R. de Wit, all being executive Directors, has entered into a service contract with the Company pursuant to which he/she agreed to act as the executive Director for a term of three years with effect from 21 June 2014.

Each of Mr. Ng, Mr. Poon and Mr. Wong, all being independent non-executive Directors, has been appointed for an initial term of two years with effect from 21 June 2014.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SHARE OPTION SCHEME

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

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

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

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

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

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

DIRECTORS' REPORT (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

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

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

Details of movements of the share options granted under the Share Option Scheme for the FY2015 are as follows:

				Number of share options						
Name or category of grantees	Date of grant	Exercise period	Exercise price per Share	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2015	Closing price immediately before the date of grant
	(Note)		*HK$*							*HK$*
Director										
Ms. Wong Pui Wah	26 January 2015	26 January 2017 – 25 January 2019	1.65	–	598,000	–	–	–	598,000	1.65
Sub-total					**598,000**	**–**	**–**	**–**	**598,000**	
Employees	26 January 2015	26 January 2017 – 25 January 2019	1.65	–	2,414,000	–	(130,000)	–	2,284,000	1.65
Sub-total					**2,414,000**	**–**	**(130,000)**	**–**	**2,284,000**	
Total					**3,012,000**	**–**	**(130,000)**	**–**	**2,882,000**	

Notes:

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

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

RETIREMENT SCHEMES

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

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

As at 31 December 2015, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary Shares

Name of Shareholder	Capacity/nature of interest	Number of Shares involved	Percentage* of the Company's issued share capital
Lam Investco *(Note 1)*	Beneficial owner	192,000,000	46.31%
Ms. Li Wai Fun *(Note 1)*	Interest of spouse	192,100,000	46.34%
Haenisch Investco *(Note 2)*	Beneficial owner	105,000,000	25.33%
Ms. Haenisch Leung Man San *(Note 2)*	Interest of spouse	105,000,000	25.33%
Ruan David Ching-chi	Interest of controlled corporations	29,854,000 *(Note 3)*	7.20%
Yip Yok Tak Amy	Interest of controlled corporations	29,854,000 *(Note 3)*	7.20%
Rays Capital Partners Limited	Investment manager	29,854,000 *(Note 3)*	7.20%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	25,044,000 *(Note 3)*	6.04%

* The percentage represents the number of Shares involved divided by the number of the issued Shares as at 31 December 2015.

Notes:

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

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

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

Save as disclosed above, as at 31 December 2015, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

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

DIRECTORS' REPORT (CONTINUED)

CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions

During the FY2015, the Group has conducted the following continuing connected transactions which were required to be disclosed pursuant to Appendix 16 to the Listing Rules:

Management Agreement with an executive Director and his controlled company

On 21 June 2014, OTX Logistics B.V. ("OTX Logistics Holland"), an indirect non-wholly owned subsidiary of the Company and (i) D.R. de Wit Beheer B.V., a company wholly owned by Mr. D.R. de Wit, an executive Director; and (ii) Mr. D.R. de Wit, entered into a management agreement (the "Management Agreement") for the provision of management services for a term commencing on 21 June 2014 and expiring on 31 December 2016. D.R. de Wit Beheer B.V. has been appointed as the contractor for OTX Logistics Holland for the performance of activities of a director and such services shall be provided by Mr. D.R. de Wit. The Group shall pay Mr. D.R. de Wit a fee of EUR14,658 per month, a holiday allowance equivalent to 8% of his monthly fee and a guaranteed year-end bonus of an amount equivalent to his monthly fee. In addition, Mr. D.R. de Wit is entitled to a minimum of 5% of annual pre-tax profits of OTX Logistics Holland, Westpoort Recon B.V., OTX Logistics Rotterdam B.V., OTX Solutions B.V. and Fashion Care Logistics B.V. ("OTX Logistics Holland Group"). For the FY2015, the total amount paid by the Group to Mr. D.R. de Wit under the Management Agreement was EUR289,949 (equivalent to about HK$2.5 million).

Master Agency Agreement with OTX Logistics Holland Group

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

As disclosed in the Prospectus, the annual caps of profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OT BVI Members to OTX Logistics Holland Group for the years ended/ending 31 December 2015 and 2016 are HK$5.2 million and HK$5.7 million, respectively; and the annual caps of profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OTX Logistics Holland Group to OT BVI Members for the years ended/ending 31 December 2015 and 2016 are HK$1.3 million and HK$1.4 million, respectively. As disclosed in the Company's announcement dated 28 October 2015, the Company revised the annual caps of the profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OT BVI Members to OTX Logistics Holland Group to HK$10.8 million (for the year ended 31 December 2015) and HK$11.9 million (for the year ending 31 December 2016). For the FY2015, the profits from operations attributable to the transactions under the Master Agency Agreement in the amount of HK$8.9 million was shared by OT BVI Members to OTX Logistics Holland Group and the profits from operations attributable to the transactions under the Master Agency Agreement in the amount of about HK$0.6 million was shared by OTX Logistics Holland Group to OT BVI Members.

The Company confirms that it has followed the policies and guidelines as set out in the Stock Exchange's Guidance Letter HKEx-GL73-14 when determining the price and terms of the Management Agreement and the Master Agency Agreement conducted during the FY2015.

Non-exempted continuing connected transactions

OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements

During the FY2015, the OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements (as defined below) constitute non-exempted continuing connected transactions of the Company under the Listing Rules.

DIRECTORS' REPORT (CONTINUED)

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempted continuing connected transactions (Continued)

OT Thailand Contractual Arrangements

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

(1) Loan assignment entered into between OT HK as assignor, OT BVI as assignee and Miss Ruchirek as borrower, whereby, the non-interest bearing loan for an aggregate principal amount of Baht 3,350,000 then owed by Miss Ruchirek to OT HK, was assigned to OT BVI and the loan shall be repayable on demand by OT BVI. The loan is conditional and secured by the pledge of shares in OT Thailand from time to time held by Miss Ruchirek under the share pledge agreement, and the arrangements under the proxy and the letter of undertakings.

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

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

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

OT Thailand contributed to about 2.2% of the Group's total revenue for the FY2015 (FY2014: 1.3%). Through the OT Thailand Contractual Arrangements, the financial results of OT Thailand were consolidated into the Group's financial statements as if it was the Company's subsidiary and, as a result, the Group bears 82.5% of the economic risks and losses of OT Thailand.

OT Vietnam Contractual Arrangements

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

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

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

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

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempted continuing connected transactions (Continued)

OT Vietnam Contractual Arrangements (Continued)

OT Vietnam contributed to about 3.1% of the Group's total revenue for the FY2015 (FY2014: 2.3%). Through the operation of the OT Vietnam Contractual Arrangement, the financial results of OT Vietnam were consolidated into the Group's financial statements as if it was the Company's indirect wholly-owned subsidiary and, as a result, the Group bears 100% of the economic risks and losses of OT Vietnam.

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

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

Confirmation of auditor of the Company

Deloitte Touche Tohmatsu, the Company's auditor, were engaged to report on the Group's non-exempted continuing connected transactions in accordance with Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the Management Agreement, the Master Agency Agreement, the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements in respect of the FY2015 in accordance with Rule 14A.56 of the Listing Rules.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Management Agreement and the Master Agency Agreement in respect of the FY2015 and confirmed that these transactions have been entered into:

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

(2) on normal commercial terms or better; and

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

Furthermore, in relation to the OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements in respect of the FY2015, the independent non-executive Directors have confirmed that the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements have remained unchanged and consistent with the disclosure as set out in the Prospectus; and both of the said arrangements are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and the transactions as disclosed in note 41 to the consolidated financial statements, no controlling Shareholder or any of its subsidiaries has any contract of significance with the Company or its subsidiaries during the FY2015.

DIRECTORS' REPORT (CONTINUED)

MANAGEMENT CONTRACTS

Save as disclosed in the Prospectus, no contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the FY2015.

DEED OF NON-COMPETITION

The Company has received the written confirmation from Mr. Lam, Mr. Haenisch, Golden Strike International Limited and Polaris International Holdings Limited (collectively, the "Controlling Shareholders") in respect of the compliance with the provisions of the deed of non-competition (the "Deed of Non-competition"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" of the Prospectus during the FY2015.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the FY2015.

TAX RELIEF

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015. As at the date of this annual report, the Group was not involved in any current material legal proceeding, nor was the Group aware of any pending or potential material legal proceedings involving the Group. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

CHANGE OF USE OF PROCEEDS

As announced by the Company on 30 October 2015, in view of the changes in market environment as well as the trend and economy condition in Europe, the Group has changed its expansion plan from the United States to Europe in order to capture the rebound of Europe's economy. The Board has resolved to change the proposed use of the unutilized net proceeds of about HK$58 million as follows:

(a) about HK$18 million for expanding the office network of the Group by acquisitions in the PRC;

(b) about HK$38 million for expanding the office network of the Group by acquisitions in Europe; and

(c) about HK$2 million for expanding the warehouse of the Group in Hong Kong.

As at the date of this report, about HK$18 million has been used for expansion of office network of the Group in the PRC, about HK$1 million has been used for payment of professional fee on due diligence check of target company in Europe and about HK$2 million has been used for expansion of warehouse of the Group in Hong Kong.

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2015, less than 30% of the Group's revenue and cost of sales were attributable to the Group's five largest customers and suppliers, respectively.

REMUNERATION POLICY

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

DIRECTORS' REPORT (CONTINUED)

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 June 2016 to Monday, 13 June 2016 (both days inclusive) for the purpose of determining the right to attend and vote at the 2016 AGM. In order to be qualified for attending and voting at the 2016 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 7 June 2016.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2016 AGM, the register of members of the Company will also be closed from Monday, 27 June 2016 to Wednesday, 29 June 2016 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the FY2015. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the 2016 AGM), unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. on Friday, 24 June 2016.

CHARITABLE CONTRIBUTIONS

During the FY2015, the Group made charitable contributions in an aggregate amount of about HK$80,000 (FY2014: about HK$1,093,000).

EVENTS AFTER THE FY2015

No events have caused material impact on the Group from the FY2015 to the date of this report.

AUDITOR

A resolution will be submitted to the forthcoming 2016 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

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

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in the CG Code during the FY2015.

The Board considers that during the FY2015, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board during the FY2015 and up to the date of this report is as follows:

Executive Directors:

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

Independent Non-executive Directors:

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A2. Board Composition (Continued)

Throughout the FY2015, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

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

A3. Chairman and Chief Executive

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

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

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

A4. Appointment and Re-election of Directors

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

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

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

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

At the 2016 AGM, Mr. Dennis Ronald de Wit, Mr. Poon Ka Lee, Barry and Mr. Wong See Ho shall retire by rotation pursuant to the Articles provisions stated in the foregoing paragraph. All of the above three retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this report, contains detailed information of these three Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

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

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

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the FY2015, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the FY2015 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**AGM**
Executive Directors:						
Mr. Lam Chun Chin, Spencer	5/5	N/A	1/1	1/1	N/A	1/1
Mr. Hartmut Ludwig Haenisch	5/5	N/A	N/A	N/A	N/A	0/1
Ms. Cheung Ching Wa, Camy	5/5	N/A	N/A	N/A	N/A	0/1
Ms. Wong Pui Wah	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Dennis Ronald de Wit	5/5	N/A	N/A	N/A	N/A	0/1
Independent Non-executive Directors:						
Mr. Ng Wai Hung	3/5	2/3	1/1	0/1	0/1	1/1
Mr. Poon Ka Lee, Barry	5/5	3/3	1/1	1/1	1/1	1/1
Mr. Wong See Ho	5/5	3/3	N/A	N/A	N/A	1/1

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the FY2015.

A7. Model Code for Securities Transactions

The Company has devised its own code of conduct regarding Directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the Model Code. Each Director has been given a copy of the Securities Dealing Code. Specific enquiry has been made of all Directors and they have confirmed their compliance with the Securities Dealing Code throughout the FY2015. In addition, no incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

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

B. BOARD COMMITTEES

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

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B1. Executive Committee

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

B2. Remuneration Committee

The Remuneration Committee comprises a total of three members, being one executive Director, Mr. Lam Chun Chin, Spencer, and two independent non-executive Directors, Mr. Poon Ka Lee, Barry (chairman of the Committee) and Mr. Ng Wai Hung. Throughout the FY2015, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

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

During the FY2015, the Remuneration Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above), in which the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management of the Company were reviewed and relevant recommendations were made to the Board.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the FY2015 is set out below:

Remuneration band (HK$)	**Number of individuals**
1,000,000-1,499,999	1
500,000-999,999	3
1-499,999	1

Details of the remuneration of each Director for the FY2015 are set out in note 14 to the financial statements contained in this report.

B3. Nomination Committee

The Nomination Committee comprises a total of three members, being the Chairman of the Board, Mr. Lam Chun Chin, Spencer (chairman of the Committee), and two independent non-executive Directors, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Throughout the FY2015, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by the Chairman of the Board.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B3. Nomination Committee (Continued)

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

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

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

During the FY2015, the Nomination Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above) in which the Committee members has (i) reviewed the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) recommended the re-appointment of the retiring Directors standing for re-election at the Company's AGM held on 25 June 2015; and (iii) assessed the independence of the existing independent non-executive Directors.

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

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

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained during the FY2015. Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy for the FY2015.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B4. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the FY2015. The Audit Committee comprises a total of three members, being three independent non-executive Directors, Mr. Wong See Ho (chairman of the Committee), Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Both of Mr. Wong See Ho and Mr. Poon Ka Lee, Barry possess the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

During the FY2015, the Audit Committee has held three meetings (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

– Reviewed and discussed the annual financial statements, results announcement and annual report for the FY2014, the relevant audit findings of the Company's external auditor; and the recommendation of the re-appointment of the external auditor;

– Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2015 and the relevant review findings of the Company's external auditor;

– Reviewed the reports prepared by an external adviser on the Group's internal control matters;

– Reviewed the Group's continuing connected transactions for the FY2014 and the FY2015;

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

– Reviewed and approved the audit plan of the Company's external auditor, including the nature and scope of audit, remuneration and terms of engagement in respect of the audit on the financial statements for the FY2015; and

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

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B5. Corporate Governance Committee

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

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

During the FY2015, the Corporate Governance Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

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

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

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

– Reviewed the compliance of the Securities Dealing Code;

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

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

– Reviewed the effectiveness of the shareholders' communication policy.

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

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the FY2015.

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

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of Shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee and the Board on any findings and measures to address the variances and identified risks.

During the FY2015, the Board has conducted a review of the effectiveness of the internal control system of the Group.

E. COMPANY SECRETARY

The Company Secretary is Ms. Wong Pui Wah, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Ms. Wong are set out in the section headed "Biographies of Directors and Senior Management" of this report. During the FY2015, Ms. Wong has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the FY2015 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to Deloitte Touche Tohmatsu, the Company's auditor, in respect of audit services and non-audit services for the FY2015 are analysed below:

Type of services provided by the external auditor	**Fees paid/payable** *HK$*
Audit services – audit fee for the FY2015	1,280,000
Non-audit services	
– review of interim results for the six months ended 30 June 2015	386,000
– review of continuing connected transactions for the FY2015	78,000
– review of annual result announcement for the FY2015	26,000
TOTAL:	1,770,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Attention: Company Secretary

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

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

Tel: (852) 2998 4626

Fax: (852) 3586 7681

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

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

H. SHAREHOLDERS' RIGHTS

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

Pursuant to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

I. CONSTITUTIONAL DOCUMENTS

During the FY2015, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of Shareholders.

J. DEED OF NON-COMPETITION

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of On Time Logistics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 110, which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 judgment, 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 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015** *HK$'000*	**2014** *HK$'000*
Revenue	*7*	3,223,589	3,468,061
Cost of sales		(2,702,850)	(2,958,299)
Gross profit		520,739	509,762
Other income	*9*	8,450	5,109
Administrative expenses		(458,369)	(404,658)
Other gains or losses	*10*	(1,563)	(4,529)
Listing expenses		–	(10,015)
Share of profit (loss) of associates		336	(261)
Share of profit of joint ventures		58	1,300
Finance costs	*11*	(4,292)	(4,961)
Profit before taxation		65,359	91,747
Income tax expense	*12*	(13,006)	(26,463)
Profit for the year	*13*	52,353	65,284
Profit for the year attributable to:			
Owners of the Company		49,900	59,573
Non-controlling interests		2,453	5,711
		52,353	65,284
Earnings per share (Hong Kong cents)			
Basic and diluted	*16*	12.0	17.1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Profit for the year		52,353	65,284
Other comprehensive (expense) income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation (decrease) increase on leasehold land and buildings		(204)	1,964
Deferred tax arising on revaluation of leasehold land and buildings	33	190	(406)
Items that may be reclassified subsequently to profit or loss			
Share of reserve of associates		(6)	(7)
Share of reserve of joint ventures		(501)	(581)
Exchange difference arising from foreign operations		(16,713)	(14,294)
Other comprehensive expense for the year		(17,234)	(13,324)
Total comprehensive income for the year		35,119	51,960
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		35,730	49,652
Non-controlling interests		(611)	2,308
		35,119	51,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties	17	7,634	8,259
Property, plant and equipment	18	48,482	52,147
Goodwill	19	14,429	16,065
Intangible assets	20	20,918	25,743
Interests in associates	21	671	104
Interests in joint ventures	22	4,390	4,912
Available-for-sale investments	23	17,976	–
Deferred tax assets	33	561	272
		115,061	107,502
Current assets			
Trade receivables	24	423,001	480,624
Other receivables, deposits and prepayments	24	56,868	62,784
Held for trading investments	25	929	1,044
Amounts due from joint ventures	27	5,851	4,579
Amounts due from associates	26	8,304	5,723
Loan to an associate	26	500	–
Prepaid tax		1,152	890
Pledged bank deposits	29	11,976	11,088
Bank balances and cash	29	242,300	242,978
		750,881	809,710

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Current liabilities			
Trade and other payables	30	265,029	294,686
Amount due to an associate	26	339	–
Amount due to a joint venture	27	2	–
Amount due to a related company	28	49	–
Tax liabilities		8,158	9,489
Obligations under finance leases – due within one year	31	603	549
Bank borrowings	32	98,595	148,865
		372,775	453,589
Net current assets		378,106	356,121
Total assets less current liabilities		493,167	463,623
Non-current liabilities			
Trade and other payables – due after one year	30	2,596	2,483
Obligations under finance leases – due after one year	31	416	636
Deferred tax liabilities	33	14,664	14,941
		17,676	18,060
		475,491	445,563
Capital and reserves			
Share capital	34	41,457	41,500
Reserves		404,734	375,783
Net assets attributable to owners of the Company		446,191	417,283
Non-controlling interests	35	29,300	28,280
Total equity		475,491	445,563

The consolidated financial statements on pages 35 to 110 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Mr. Lam Chun Chin, Spencer
DIRECTOR

Ms. Wong Pui Wah
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000* *(Note d)*	**Special reserve** *HK$'000*	**Other reserve** *HK$'000* *(Note c)*	**Translation reserve** *HK$'000*	**Statutory reserve** *HK$'000* *(Note b)*	**Property revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	20,670	241	203	98	–	5,824	3,045	8,770	281,067	319,918	27,342	347,260
Profit for the year	–	–	–	–	–	–	–	–	59,573	59,573	5,711	65,284
Revaluation increase on leasehold land and buildings	–	–	–	–	–	–	–	1,964	–	1,964	–	1,964
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	(406)	–	(406)	–	(406)
Share of reserve of associates	–	–	–	–	–	(7)	–		–	(7)	–	(7)
Share of reserve of joint ventures	–	–	–	–	–	(581)	–	–	–	(581)	–	(581)
Exchange difference arising from overseas operations	–	–	–	–	–	(10,891)	–	–	–	(10,891)	(3,403)	(14,294)
Total comprehensive (expense) income for the year	–	–	–	–	–	(11,479)	–	1,558	59,573	49,652	2,308	51,960
Special reserve arising from Corporate Reorganisation *(note a)*	(20,480)	315,989	–	(295,509)	–	–	–	–	–	–	–	–
Capitalisation of shareholders' loan *(note 34b)*	10	24,966	–	–	–	–	–	–	–	24,976	–	24,976
Shares issued on the Capitalisation Issue *(note 34d)*	29,800	(29,800)	–	–	–	–	–	–	–	–	–	–
Shares issued upon public offer and international placing *(note 34e)*	10,000	108,000	–	–	–	–	–	–	–	118,000	–	118,000
Shares issued upon exercise of over-allotment option *(note 34f)*	1,500	16,200	–	–	–	–	–	–	–	17,700	–	17,700
Expenses incurred in connection with issue of shares	–	(15,258)	–	–	–	–	–	–	–	(15,258)	–	(15,258)
Lapse of options *(note c)*	–	–	–	–	(705)	–	–	–	–	(705)	705	–
Incorporation of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	–	4	4
Dividend paid to shareholders	–	–	–	–	–	–	–	–	(97,000)	(97,000)	–	(97,000)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,079)	(2,079)
Transfer to statutory reserve	–	–	–	–	–	–	3,154	–	(3,154)	–	–	–
At 31 December 2014	41,500	420,338	203	(295,411)	(705)	(5,655)	6,199	10,328	240,486	417,283	28,280	445,563

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Notes:

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

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

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

(d) On 26 September 2012, the Group acquired additional 10% equity interest in a subsidiary at a consideration amounting to RM1 (equivalent to HK$1) from its non-controlling shareholder, resulting in HK$203,000 credit balance recognised in capital reserve. On 1 August 2015, the Group acquire additional 10% equity interest in a subsidiary at a consideration amounting to HK$1,000 from its non-controlling shareholders, resulting in HK$208,000 debit balance recognised in capital reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	65,359	91,747
Adjustments for:		
Interest income	(633)	(853)
Finance costs	4,292	4,961
Share of results of associates	(336)	261
Share of results of joint ventures	(58)	(1,300)
Depreciation of property, plant and equipment	10,977	10,024
Amortisation of intangible assets	3,134	3,137
Loss on disposal of property, plant and equipment	114	498
Impairment loss on trade receivables recognised, net	13,706	6,681
Fair value changes of held for trading investments	115	42
Share-based payments	539	–
Fair value changes of investment properties	191	(492)
Write down long outstanding payable	(702)	(621)
Derecognition of translation reserve from deregistration of a joint venture	(30)	–
Operating cash flows before movements in working capital	96,668	114,085
Decrease in trade receivables	30,713	55,255
Decrease in other receivables, deposits and prepayments	4,513	5,012
Decrease in derivative financial assets	–	51
Decrease (increase) in amount due from a joint venture	2,034	(2,364)
Decrease (increase) in amounts due from associates	337	(753)
Decrease in trade and other payables	(17,947)	(77,927)
Decrease in amount due to an associate	–	(543)
Cash generated from operations	116,318	92,816
Income tax paid	(13,786)	(24,503)
Net cash from operating activities	102,532	68,313
Investing activities		
Interest received	633	853
Purchase of property, plant and equipment	(9,975)	(10,217)
Advance to directors	–	(53,687)
Repayment from directors	–	15,263
Advance to associates	(3,418)	(4,970)
(Advance to) repayment from a joint venture	(3,420)	514
Repayment from related companies	–	1,729
Repayment from an associate	–	388
Withdrawal of pledged bank deposits	–	2,395
Placement of pledged bank deposits	(1,079)	(9,881)
Payment for investments in joint ventures	(52)	–
Payment for investments in associates	(237)	(311)
Payment for additional interests in a subsidiary	(1)	–
Purchases of intangible asset – trademarks	–	(9,350)
Purchases of available-for-sale investments	(17,976)	–
Proceeds from deregistration of a joint venture	131	–
Proceeds from disposal of property, plant and equipment	488	410
Net cash used in investing activities	(34,906)	(66,864)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 *HK$'000*	2014 *HK$'000*
Financing activities		
Decrease in bank overdrafts	(9,762)	(7,257)
(Decrease) increase in factoring loans	(49,704)	1,163
Interest paid	(4,292)	(4,961)
New bank loans obtained	289,398	233,279
Repayment of bank loans	(280,202)	(243,597)
Dividends paid to non-controlling interests of the subsidiaries	(456)	(2,079)
Dividends paid	(6,640)	(36,600)
Advance from directors	–	24,976
Repayment to directors	–	(969)
Advance from an associate	339	–
Advance from a joint venture	2	–
Advance from a related company	49	–
Repayment to related companies	–	(535)
Repayment of obligations under finance leases	(605)	(880)
Capital injection from a non-controlling shareholder of a subsidiary	1,880	4
Payment for repurchase of ordinary shares	(43)	–
Payment for transactions attributable to repurchase of ordinary shares	(440)	–
Proceeds from issue of shares	–	135,700
Payment for transactions costs attributable to issue of shares	–	(15,258)
Net cash (used in) from financing activities	(60,476)	82,986
Net increase in cash and cash equivalents	7,150	84,435
Cash and cash equivalents at the beginning of the year	242,978	163,885
Effect of foreign exchange rate changes	(7,828)	(5,342)
Cash and cash equivalents at the end of the year	242,300	242,978
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	242,300	242,978

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of associates, joint ventures and subsidiaries are set out in notes 21, 22 and 43 respectively.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs (disclosure of a detailed lists of new and revised HKFRSs)

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards and amendments that have been issued but are not yet effective:

HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]

1 Effective for accounting periods beginning on or after 1 January 2016.

2 Effective for first annual financial statements beginning on or after 1 January 2016.

3 Effective for accounting periods beginning on or after 1 January 2018.

4 Effective for accounting periods beginning on or after a date to be determined.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 Financial instruments

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and related disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipates that the application of other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and Directors' Reports and audits and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for business combination involving entities under common control

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

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

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

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

Goodwill

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

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

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

Interests in associates and joint ventures

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures (Continued)

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

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

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

Revenue recognition

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

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

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

Logistics services income is recognised when the services are rendered.

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

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

Income from trademarks is recognised on a straight-line basis over the terms of the relevant agreement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

Intangible assets acquired in a business combination

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

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

Impairment losses on tangible and intangible assets other than goodwill

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale investments

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Financial guarantee contracts

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

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

Retirement benefit costs

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

Share-based payment arrangements

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Leasehold land and building

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

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

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

Key sources of estimation uncertainty

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

Estimated impairment losses on trade receivables

The Group makes impairment losses on trade receivables (note 24) based on the assessments of the recoverability of the outstanding balances. Impairment losses are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible or recoverable. The identification of impairment losses requires the estimation of future cash flows. Where the expectation of the recoverability of the trade receivables is different from the original estimate, such difference will impact the carrying values of the trade receivables and impairment losses recognised in profit or loss in the year in which such estimate has changed. As at 31 December 2015, the carrying amounts of trade receivables are HK$423,001,000 (2014: HK$480,624,000) (net of allowance for doubtful debts of HK$19,215,000 (2014: HK$13,269,000)).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of fair value less cost of disposal and value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is HK$14,429,000 (2014: HK$16,065,000). Details of the recoverable amount calculation are disclosed in note 19.

Useful lives of intangible assets

Amortisation is provided to write off the cost of intangible assets (note 20) over their estimated useful lives which are determined by the Group. The carrying amounts of the intangible assets as at 31 December 2015 are HK$20,918,000 (2014: HK$25,743,000). In applying the accounting policy on intangible assets with respect to amortisation, the directors of the Company estimate the useful life of intangible assets according to the industrial experiences over the revenue expectation and also by reference to the relevant industrial norm. Should the useful lives of these assets differ from that previously estimated, the calculation of amortisation would be affected.

Estimated impairment of available-for-sale investments

The Group reviews portfolios of available-for-sale investments (note 23) periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimate future cash flows for available-for-sale investments. At 31 December 2015, the carrying amount of the available-for-sale investments is HK$17,976,000 (2014: nil).

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

Key sources of estimation uncertainty (Continued)

Fair value measurements and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6, 17, 18 and 25 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	**2014**
	HK$'000	*HK$'000*
Financial assets		
Held for trading investments	929	1,044
Available-for-sale investments	17,976	–
Loans and receivables (including cash and cash equivalents)	714,095	773,679
Financial liabilities		
Amortised cost	359,942	436,309
Obligations under finance leases	1,019	1,185

6. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

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

(i) Market risk

Interest rate risk

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

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

Interest rate risk sensitivity analysis

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

If interest rate had been of 50 basis points higher/lower and all other variables held constant, the Group's post-tax profit would decrease/increase by HK$408,000 (2014: decrease/increase by HK$616,000) for the year ended 31 December 2015.

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Market risk (Continued)

Currency risk

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

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

	2015	**2014**
	HK$'000	*HK$'000*
Assets		
United States dollars ("US$")	196,403	235,349
Renminbi ("RMB")	3,836	8,876
Euro ("EUR")	2,675	2,267
Singapore dollars ("SGD")	98	146
Indonesian rupiah ("IDR")	3,177	1,154
Canadian dollars ("CAD")	1,057	870
Liabilities		
US$	12,817	27,235
RMB	–	498
EUR	3,510	2,020
IDR	2,214	355
CAD	825	33
British pound sterling ("GBP")	1,899	1,200

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

Amounts due (to) from group entities

	2015	**2014**
	HK$'000	*HK$'000*
US$	(62,238)	(57,680)
RMB	(14,754)	20,790
EUR	(52,727)	(435)

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Market risk (Continued)

Currency risk (Continued)

Currency risk sensitivity analysis

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

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

(Decrease) increase in the profit

	2015	**2014**
	HK$'000	*HK$'000*
US$ impact	(1,131)	(2,427)
RMB impact	856	(2,059)
EUR impact	4,291	13

Price risk

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

If the market price of the held for trading investments had been 7% higher/lower while all other variables were held constant, the Group's profit after taxation for the year ended 31 December 2015 would increase/decrease by HK$54,000 (2014: HK$61,000).

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

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

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

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

(iii) Liquidity risk

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

The Group relies on bank borrowings and advance from related companies as significant sources of liquidity during the reporting period. The Group has available unutilised borrowing facilities of HK$244,961,000 (2014: HK$194,981,000) as at 31 December 2015.

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk (Continued)

	Weighted average effective interest rate	On demand	Less than 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31.12.2015							
Non-derivative financial liabilities							
Trade and other payables	–	29,275	230,105	–	2,596	261,976	261,976
Amount due to an associate	–	339	–	–	–	339	339
Amount due to a joint venture	–	2	–	–	–	2	2
Amount due to a related company	–	49	–	–	–	49	49
Bank borrowings	3.10	98,595	–	–	–	98,595	98,595
Obligations under finance leases	5.90	–	331	306	431	1,068	1,019
		128,260	230,436	306	3,027	362,029	361,980
31.12.2014							
Non-derivative financial liabilities							
Trade and other payables	–	22,507	262,454	–	2,483	287,444	287,444
Bank borrowings	3.12	148,865	–	–	–	148,865	148,865
Obligations under finance leases	1.62	–	287	316	673	1,276	1,185
		171,372	262,741	316	3,156	437,585	437,494

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk (Continued)

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

	Less than 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015	52,047	–	–	52,047	51,836
As at 31 December 2014	42,872	–	–	42,872	42,640

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

(c) Fair value measurements of financial instruments

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

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

	Level 1	Level 2	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2015			
Held for trading investments	929	–	929
At 31 December 2014			
Held for trading investments	1,044	–	1,044

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

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

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	2015	**2014**		
	HK$'000	*HK$'000*		
Held for trading investments				
– Quoted investment fund *(note 25)*	929	1,044	Level 1	Quoted market bid price

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

7. REVENUE

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

8. SEGMENT INFORMATION

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

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

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

8. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results

	Segment revenue		Segment results	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating and reportable segments				
Air freight	2,171,091	2,375,490	226,017	247,576
Ocean freight	895,112	974,528	128,254	116,385
General sales agency	11	3,164	(849)	2,044
Logistics	75,794	45,094	(2,613)	12,008
Others	81,581	69,785	22,014	13,330
Total	3,223,589	3,468,061	372,823	391,343
Other income			8,450	5,109
Other gains or losses			(1,563)	(4,529)
Unallocated corporate expenses			(310,453)	(296,254)
Share of profit (loss) of associates			336	(261)
Share of profit of joint ventures			58	1,300
Finance costs			(4,292)	(4,961)
Profit before taxation			65,359	91,747

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

(b) Segment assets and liabilities

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

8. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

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

	Turnover from external customers	
	2015	**2014**
	HK$'000	*HK$'000*
Hong Kong	1,273,315	1,428,822
People's Republic of China ("PRC")	613,140	615,923
Korea	65,988	89,762
Vietnam	73,499	80,787
Other Asian regions	329,821	360,652
The Netherlands	363,046	482,745
United States of America ("USA")	461,644	373,927
Canada	43,136	35,443
	3,223,589	3,468,061

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

	2015	**2014**
	HK$'000	*HK$'000*
Hong Kong	43,985	46,944
PRC	9,114	11,035
Indonesia	776	1,140
Malaysia	874	916
Other Asian regions	2,189	2,338
The Netherlands	31,500	37,502
USA	3,022	2,329
Canada	3	10
	91,463	102,214

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

(d) Information about major customers

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

9. OTHER INCOME

	2015	**2014**
	HK$'000	*HK$'000*
Interest income on:		
– bank deposits	616	703
– loan to an associate	17	7
– loan receivables	–	143
Rental income	2,705	454
Management fee income	499	441
IT service income	29	140
Trademarks income	372	372
Write-down long outstanding payables	702	621
Sundry income	3,510	2,228
Total	8,450	5,109

10. OTHER GAINS OR LOSSES

	2015	**2014**
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	(114)	(498)
Loss arising from changes in fair value of held for trading investments	(115)	(42)
Fair value (loss) gain on investment properties	(191)	492
Net foreign exchange loss	(1,108)	(4,481)
Derecognition of translation reserve from deregistration of a joint venture	(30)	–
Others	(5)	–
	(1,563)	(4,529)

11. FINANCE COSTS

	2015	**2014**
	HK$'000	*HK$'000*
Interest on		
– bank borrowings	4,225	4,883
– obligations under finance leases	67	78
	4,292	4,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

12. INCOME TAX EXPENSE

	2015 *HK$'000*	**2014** *HK$'000*
Current tax:		
– Hong Kong Profits Tax	3,012	5,001
– Enterprise Income Tax in the PRC	1,333	5,267
– Dutch Corporate Income Tax	2,466	3,885
– Indian Corporate Income Tax	594	460
– Vietnam Corporate Income Tax	1,534	1,581
– Thailand Corporate Income Tax	937	653
– Other jurisdictions	2,396	1,603
	12,272	18,450
(Over) underprovision in respect of prior years		
– Hong Kong Profits Tax	(70)	(398)
– Enterprise Income Tax in the PRC	–	5,884
– Other jurisdictions	225	591
	155	6,077
Deferred taxation *(note 33)*		
– Current year	579	920
– Underprovision in prior years	–	1,016
	579	1,936
	13,006	26,463

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

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

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

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

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

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

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

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

Details of the deferred taxation are set out in note 33.

12. INCOME TAX EXPENSE (CONTINUED)

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

	2015 *HK$'000*	**2014** *HK$'000*
Profit before taxation	65,359	91,747
Tax at the Hong Kong Profits Tax rate of 16.5%	10,784	15,138
Tax effect of expenses not deductible for tax purposes	1,452	1,743
Tax effect of income not taxable for tax purposes	(1,707)	(2,977)
Tax effect of share of results of associates	(55)	43
Tax effect of share of results of joint ventures	(10)	(214)
Effect on tax exemption granted	(19)	(191)
Tax effect of tax losses not recognised	2,134	1,552
Utilisation of tax losses previously not recognised	(327)	(911)
Underprovision in respect of prior year	155	7,093
Effect of different tax rates of group entities operating in different jurisdictions other than Hong Kong	(955)	3,423
Withholding tax on undistributed earnings	1,173	1,731
Withholding tax upon dividend declared	215	–
Others	166	33
Tax charge for the year	13,006	26,463

13. PROFIT FOR THE YEAR

	2015 *HK$'000*	**2014** *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	4,662	6,015
Depreciation of property, plant and equipment	10,977	10,024
Amortisation of intangible assets	3,134	3,137
Impairment loss on trade receivables recognised	16,019	7,977
Reversal of impairment loss on trade receivables	(2,313)	(1,296)
Operating lease rentals in respect of rented premises and motor vehicles	53,808	38,414
Staff costs		
Directors' emoluments *(note 14)*	10,527	11,067
Other staff costs		
Staff costs excluding retirement benefit contributions	242,809	225,296
Retirement benefit contributions	24,488	23,310
Total staff costs	277,824	259,673
Gross rental income from investment properties	341	454
Less: outgoings incurred which did not generate rental income	(59)	(58)
	282	396

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

Directors' emoluments

Year ended 31 December 2015

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

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

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

Directors' emoluments (Continued)

Year ended 31 December 2014

Name of director	Directors' fees	Basic salaries and allowances	Performance bonus	Director's quarter	Retirement benefit contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Lam	–	358	940	1,020	13	2,331
Mr. Haenisch	–	1,163	650	–	–	1,813
Ms. Cheung	–	1,001	584	–	17	1,602
Ms. Wong	–	923	323	–	17	1,263
Mr. Dennis Ronald de Wit	95	2,399	861	–	418	3,773
Independent non-executive directors						
Mr. Ng Wai Hung	95	–	–	–	–	95
Mr. Poon Ka Lee, Barry	95	–	–	–	–	95
Mr. Wong See Ho	95	–	–	–	–	95
	380	5,844	3,358	1,020	465	11,067

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the year ended 31 December 2015, the Group paid management fee of about HK$2.5 million (2014: HK$1.7 million) to D.R. de Wit Beheer B.V. (a company wholly owned by Mr. Dennis Ronald de Wit) for management services rendered by Mr. Dennis Ronald de Wit. Such management fee has been included in the directors' emoluments and such services provided pursuant to a management agreement constitute a continuing connected transaction which is subject to reporting and annual review requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange and the details of which are disclosed in the section headed "Continuing Connected Transactions" in the Directors' Report.

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

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

Directors' emoluments (Continued)

Five highest paid individuals

The five highest paid individuals included 3 directors (2014: 2) whose emoluments were included in the disclosure above. The emoluments of the remaining 2 (2014: 3) highest paid individuals are as follows:

	2015 *HK$'000*	**2014** *HK$'000*
Employees		
– basic salaries and allowances	3,808	5,467
– bonus	–	430
– equity-settled share option expense	–	–
– retirement benefit contributions	–	139
	3,808	6,036

Their emoluments were within the following bands:

	2015 *HK$'000*	**2014** *HK$'000*
HK$1,500,001 to HK$2,000,000	2	1
HK$2,000,001 to HK$2,500,000	–	2

During the years ended 31 December 2015 and 31 December 2014, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments for both years.

During the year ended 31 December 2015, the Group paid management fees of HK$3,808,000 (2014: HK$4,190,000) to two companies for management services rendered by two of the highest paid individuals who have beneficial interest in the companies. Such management fees have been included in administrative expenses and disclosed as employees' emoluments in the table above.

15. DIVIDEND

	2015 *HK$'000*	**2014** *HK$'000*
Final dividend payable in respect of the year ended 31 December 2014 of HK1.6 cents (2014: nil) per share	6,640	–

Subsequent to the end of the reporting period, a final dividend in respect of HK1.30 cents (2014: HK1.60 cents) per share totaling HK$5,366,000 (2014: HK$6,640,000) for the year ended 31 December 2015 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	49,900	59,573
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	414,906,066	347,958,904
Effect of dilutive potential ordinary shares on over-allotment option	–	154,481
Weighted average number of ordinary shares for the purpose of diluted earnings per share	414,906,066	348,113,385

The calculation of the basic earnings per share for the year is based on the profit attributable to owners of the Company and the weighted average number of 414,906,066 ordinary shares in issue during the year (2014: the weighted average number of 347,958,904 ordinary shares in issue for the year ended 31 December 2014 was on the assumption that the corporate reorganisation had been effective on 1 January 2014 and had been retrospectively adjusted to reflect the capitalisation issue of 298,000,000 ordinary shares in July 2014 as disclosed in note 34).

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

17. INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
At the beginning of the year	8,259	7,809
Net (decrease) increase in fair value recognised in profit or loss	(191)	492
Exchange realignment	(434)	(42)
At the end of the year	7,634	8,259

The fair value of the Group's investment properties situated outside of Hong Kong at 31 December 2015 and 31 December 2014 have been arrived at on the basis of a valuation carried out on the respective dates by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. There has been no change to the valuation technique during the year.

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

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

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	**Computer equipment** *HK$'000*	**Furniture and equipment** *HK$'000*	**Leasehold improvements** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
COST OR VALUATION						
At 1 January 2014	23,808	26,245	16,018	13,101	6,403	85,575
Additions	–	4,140	3,272	2,828	427	10,667
Revaluation	1,286	–	–	–	–	1,286
Disposals	–	(559)	(356)	(1,677)	(988)	(3,580)
Exchange realignment	(128)	(394)	(844)	(66)	(49)	(1,481)
At 31 December 2014	24,966	29,432	18,090	14,186	5,793	92,467
Additions	–	4,503	3,284	2,124	507	10,418
Revaluation	(896)	–	–	–	–	(896)
Disposals	–	(1,157)	(614)	(10)	(216)	(1,997)
Exchange realignment	(1,311)	(848)	(1,052)	(305)	(164)	(3,680)
At 31 December 2015	22,759	31,930	19,708	15,995	5,920	96,312
Comprising:						
31 December 2015						
At cost	–	31,930	19,708	15,995	5,920	73,553
At valuation	22,759	–	–	–	–	22,759
	22,759	31,930	19,708	15,995	5,920	96,312
Comprising:						
31 December 2014						
At cost	–	29,432	18,090	14,186	5,793	67,501
At valuation	24,966	–	–	–	–	24,966
	24,966	29,432	18,090	14,186	5,793	92,467
DEPRECIATION						
At 1 January 2014	–	13,531	9,001	8,148	3,602	34,282
Charge for the year	678	4,340	2,155	1,780	1,071	10,024
Elimination on revaluation	(678)	–	–	–	–	(678)
Eliminated on disposals	–	(502)	(331)	(1,196)	(643)	(2,672)
Exchange realignment	–	(179)	(389)	(31)	(37)	(636)
At 31 December 2014	–	17,190	10,436	8,701	3,993	40,320
Charge for the year	720	4,807	2,336	2,235	879	10,977
Elimination on revaluation	(692)	–	–	–	–	(692)
Eliminated on disposals	–	(845)	(421)	(2)	(127)	(1,395)
Exchange realignment	(28)	(481)	(477)	(263)	(131)	(1,380)
At 31 December 2015	–	20,671	11,874	10,671	4,614	47,830
CARRYING VALUES						
At 31 December 2015	22,759	11,259	7,834	5,324	1,306	48,482
At 31 December 2014	24,966	12,242	7,654	5,485	1,800	52,147

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

The Group's leasehold land and buildings were valued on 31 December 2015 and 31 December 2014 by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available adjusted for differences in the nature, location and conditions of the subject properties. There has been no change to the valuation technique during the year.

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

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

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

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

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

	2015	**2014**
	HK$'000	*HK$'000*
Cost	12,996	13,249
Accumulated depreciation	(2,116)	(1,763)
Carrying value	10,880	11,486

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2015 *HK$'000*	2014 *HK$'000*
Motor vehicles	573	929
Furniture and equipment	245	464
	818	1,393

19. GOODWILL

	2015 *HK$'000*	2014 *HK$'000*
At the beginning of the year	16,065	18,111
Exchange realignment	(1,636)	(2,046)
At the end of the year	14,429	16,065

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

The recoverable amount of the CGU of OTX Logistics Holland Group has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections which are based on recent financial budgets covering a 5-year period (2014: 5-year period) and discount rate of 16.91% (2014: 16.73%). Cash flows beyond the 5-year period have been extrapolated using zero growth rate. The key assumptions are budgeted gross margin based on the past performance and the Group's expectation for the market development. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

20. INTANGIBLE ASSETS

	Customer list *HK$'000*	**Trademarks** *HK$'000*	**Total** *HK$'000*
COST			
At 1 January 2014	28,577	–	28,577
Additions	–	9,350	9,350
Exchange realignment	(3,228)	–	(3,228)
At 31 December 2014	25,349	9,350	34,699
Exchange realignment	(2,582)	–	(2,582)
At 31 December 2015	22,767	9,350	32,117
AMORTISATION			
At 1 January 2014	6,804	–	6,804
Charge for the year	2,631	506	3,137
Exchange realignment	(985)	–	(985)
At 31 December 2014	8,450	506	8,956
Charge for the year	2,198	936	3,134
Exchange realignment	(891)	–	(891)
At 31 December 2015	9,757	1,442	11,199
CARRYING VALUES			
At 31 December 2015	13,010	7,908	20,918
At 31 December 2014	16,899	8,844	25,743

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

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

21. INTERESTS IN ASSOCIATES

	2015 *HK$'000*	2014 *HK$'000*
Cost of investments, unlisted	1,346	1,109
Share of post-acquisition losses and other comprehensive expenses, net of dividends received	(227)	(557)
Impairment loss recognised	(448)	(448)
	671	104

Particulars of associates at 31 December 2015 and 31 December 2014 are as follows:

Name of entity	Place/country of incorporation/ operation	Class of issued capital shares	Proportion of nominal value of held indirectly held by the Company 2015	2014	Principal activity
Fashion Care Logistics B.V.	The Netherlands	Ordinary	25%	25%	Inactive
On Time Worldwide Logistics Limited ("OT Bangladesh")	Bangladesh	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide Logistics L.L.C. ("OT WW Dubai")	United Arab Emirates	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide International Cargo Services L.L.C. ("OT Abu Dhabi")	United Arab Emirates	Ordinary	49% (note a)	–	Provision of freight forward services
VGL Hong Kong Limited ("VGL HK")	Hong Kong	Ordinary	50% (note b)	–	Provision of freight forwarding services
威超國際貨運代理有限公司 ("VGL China")	PRC	Registered	50% (note c)	–	Provision of freight forwarding services

Notes:

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

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

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

21. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate financial information of associates that is not individually material:

	2015	**2014**
	HK$'000	*HK$'000*
The Group's share of profits (losses) of associates for the year	336	(261)
The Group's share of other comprehensive expense of associates for the year	(6)	(7)
The Group's share of total comprehensive income (expense)	330	(268)
Aggregate carrying amount of the Group's interests in associates	671	104

Unrecognised share of losses of an associate

	2015	**2014**
	HK$'000	*HK$'000*
The unrecognised share of loss of an associate for the year	420	–
Cumulative unrecognised share of losses of an associate for the year	531	111

22. INTERESTS IN JOINT VENTURES

	2015	**2014**
	HK$'000	*HK$'000*
Cost of investments, unlisted	2,770	2,880
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,620	2,032
	4,390	4,912

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Particulars of the joint ventures at 31 December 2015 and 31 December 2014 are as follows:

Name of entity	Place/country of incorporation/ operation	Class of issued capital shares	Proportion of nominal value of held indirectly held by the Company 2015	2014	Principal activity
On Time Worldwide Express B.V.	The Netherlands	Ordinary	– *(note a)*	50%	Inactive
OTX Logistics Rotterdam B.V.	The Netherlands	Ordinary	37.5%	37.5%	Provision of freight forwarding services
BFM International Company Limited ("BFM HK")	Hong Kong	Ordinary	50% *(note b)*	–	E-commerce
BFM Holdings Limited ("BFM BVI")	The British Virgin Islands ("BVI")	Ordinary	50% *(note c)*	–	Investment holding

Notes:

(a) On Time Worldwide Express B.V. was deregistered on 12 November 2015.

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

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

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

	2015 *HK$'000*	**2014** *HK$'000*
The Group's share of profit	58	1,300
The Group's share of other comprehensive expense	(501)	(581)
The Group's share of total comprehensive (expense) income	(443)	719
Aggregate carrying amount of the Group's interest in joint ventures	4,390	4,912

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Unrecognised share of loss of a joint venture

	2015	**2014**
	HK$'000	*HK$'000*
The unrecognised share of loss of a joint venture for the year	988	–
Cumulative unrecognised share of loss of a joint venture for the year	988	–

23. AVAILABLE-FOR-SALE INVESTMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Unlisted equity securities	17,976	–

The unlisted equity securities represent the Group's investment in Blackon Lab Holdings Limited ("Blackon Lab") and 北京明邦物流股份有限公司 ("DNJ China") with carrying amount of HK$581,000 and HK$17,395,000 respectively. Blackon Lab is incorporated in the BVI and its investment represent 1% holding of the ordinary shares of Blackon Lab. DNJ China is incorporated in the PRC and its investment represent 13% holding of the ordinary shares of DNJ China. The investments are not regarded as an associate of the Group because the Group has less than one-fifth of the voting power under arrangements with other investors and the group has no right to appoint directors in Blackon Lab and DNJ China.

It is unlisted entity investment and is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The Company has no intention to dispose the investments in coming year.

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

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Trade receivables	442,216	493,893
Less: allowance for doubtful debts	(19,215)	(13,269)
	423,001	480,624

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

	2015	**2014**
	HK$'000	*HK$'000*
0 – 30 days	236,121	222,751
31 – 60 days	131,355	173,343
61 – 90 days	33,170	53,114
91 – 180 days	15,367	21,125
Over 180 days	6,988	10,291
	423,001	480,624

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

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

	2015	**2014**
	HK$'000	*HK$'000*
Overdue		
0 – 30 days	131,355	173,343
31 – 60 days	33,170	53,114
61 – 150 days	15,367	21,125
Over 150 days	6,988	10,291
	186,880	257,873

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

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

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

	2015	**2014**
	HK$'000	*HK$'000*
Balance at the beginning of the year	13,269	9,886
Impairment losses recognised	16,019	7,977
Amounts written off	(7,102)	(2,902)
Reversal of impairment losses	(2,313)	(1,296)
Exchange realignment	(658)	(396)
Balance at the end of the year	19,215	13,269

As at 31 December 2015 and 31 December 2014, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$19,215,000 and HK$13,269,000 respectively, which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	2015	**2014**
	HK$'000	*HK$'000*
Club debenture	255	284
Other deposits	12,775	13,403
Other receivables	22,163	28,686
Other tax receivables	2,860	1,935
Prepayments	9,846	10,433
Rental deposits	8,969	8,043
	56,868	62,784

Included in other receivables are receivables relating to freight forwarding services rendered but not yet billed to customers of HK$17,969,000 and HK$25,594,000 at 31 December 2015 and 31 December 2014, respectively.

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

	2015	**2014**
	HK$'000	*HK$'000*
0 – 30 days	17,969	25,594

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

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

	2015	**2014**
	HK$'000	*HK$'000*
US$	130,349	170,751
RMB	2,963	5,780
EUR	–	909
SGD	5	–
Malaysian Ringgit ("RM")	3	7
IDR	2,593	582
CAD	168	120

Transfers of financial assets

The followings were the Group's trade receivables as at 31 December 2015 and 31 December 2014 that were transferred to banks by factoring those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured factoring loans (see note 32).

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

	2015	**2014**
	HK$'000	*HK$'000*
Carrying amount of transferred assets	57,919	119,927
Carrying amount of associated liabilities	(46,576)	(96,280)
Net position	11,343	23,647

25. HELD FOR TRADING INVESTMENTS

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

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

As at 31 December 2015, the amounts due from associates, amounting to HK$7,888,000 (2014: HK$4,970,000), and amount due to an associate, amounting to HK$339,000 (2014: nil) are non-trade related, unsecured, interest-free, and repayable on demand.

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

	2015	**2014**
	HK$'000	*HK$'000*
0 – 60 days	416	753

The amounts due from associates are not yet past due.

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

	2015	**2014**
	HK$'000	*HK$'000*
US$	2,893	3,347

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

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

27. AMOUNTS DUE FROM (TO) JOINT VENTURES

As at 31 December 2015, other than set out below, the amounts due from joint ventures, amounting to HK$4,006,000 (2014: HK$290,000) and amount due to a joint venture amounting to HK$2,000 (2014: nil) are non-trade related, unsecured, interest-free and repayable on demand.

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

	2015	**2014**
	HK$'000	*HK$'000*
0 – 30 days	1,542	3,515
31 – 60 days	297	774
61 – 90 days	6	–
	1,845	4,289

27. AMOUNTS DUE FROM (TO) JOINT VENTURES (CONTINUED)

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

	2015	**2014**
	HK$'000	*HK$'000*
Overdue	297	774
0 – 30 days	6	–
	303	774

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

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

	2015	**2014**
	HK$'000	*HK$'000*
US$	5,477	4,470

28. AMOUNT DUE TO A RELATED COMPANY

The balance controlled by directors disclosed pursuant to Hong Kong Companies Ordinance is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Amount due to a related company – non-trade		
On Good Development Limited *(note)*	49	–

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

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

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK$11,976,000 (2014: HK$11,088,000) are pledged as securities in favour of banks facilities. The average effective interest rate of pledged bank deposits was 1.01% (2014: 1.09%) per annum as at 31 December 2015.

Bank balances as at 31 December 2015 carry interests at market rates which range from 0% to 10.50% (2014: 0% to 8.25%) per annum.

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

	2015	**2014**
	HK$'000	*HK$'000*
US$	56,752	55,737
RMB	876	3,096
EUR	5,356	1,358
SGD	93	146
IDR	584	572
CAD	889	750
GBP	71	57

30. TRADE AND OTHER PAYABLES

	2015	**2014**
	HK$'000	*HK$'000*
Trade payables	201,815	229,988
Other payables and accrued charges	63,601	60,744
Deposit received	2,076	6,249
Advance from employees	133	188
	267,625	297,169
Analysed as:		
– current	265,029	294,686
– non-current	2,596	2,483
	267,625	297,169

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

30. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2015	**2014**
	HK$'000	*HK$'000*
Within 60 days	172,540	207,481
61 – 180 days	24,105	17,858
181 – 365 days	1,846	1,225
1 – 2 years	3,324	3,424
	201,815	229,988

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

	2015	**2015**
	HK$'000	*HK$'000*
US$	11,612	25,933
RMB	–	498
EUR	3,510	2,020
CAD	825	33
IDR	2,214	355
GBP	1,899	1,200

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	639	603	603	549
In more than one year but not more than two years	343	428	333	401
In more than two years but not more five years	86	245	83	235
In more than five years	–	–	–	–
	1,068	1,276	1,019	1,185
Less: future finance charges	(49)	(91)	–	–
Present value of lease obligations	1,019	1,185	1,019	1,185
Less: Amount due from settlement within one year (shown under current liabilities)			(603)	(549)
Amount due for settlement after one year			416	636

31. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

The Group has leased certain of its furniture and equipment and motor vehicles under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 0.30% to 6.33% (2014: 0.42% to 6.12%) per annum as at 31 December 2015.

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

32. BANK BORROWINGS

	2015	**2014**
	HK$'000	*HK$'000*
Secured:		
– bank overdrafts	183	9,945
– bank loans	51,836	42,640
– factoring loans	46,576	96,280
	98,595	148,865

The borrowings are repayable:

	2015	**2014**
	HK$'000	*HK$'000*
Carrying amounts of bank borrowings that contain a repayment on demand clause:		
Analysed based on original repayment schedule		
Repayable within one year from the end of reporting period	51,836	42,640
Repayable on demand	46,759	106,225
Less: Amount due within one year shown under current liabilities	(98,595)	(148,865)
Amount due after one year	–	–

The Group's bank borrowings carry interest variable to Hong Kong Interbank Offered Rate, Hong Kong Best Lending Rate, HKD Money Market Saving Debit Interest Base Rate, Korea Best Lending Rate, Malaysia Base Lending Rate and London Interbank Offered Rate. As at 31 December 2015, the effective interest rates range from 2.44% to 8.1% (2014: 2.41% to 8.35%) per annum which expose the Group to cash flow interest rate risk.

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

	2015	**2014**
	HK$'000	*HK$'000*
US$	1,203	1,302

As at 31 December 2015, the above bank borrowings are secured by pledged bank deposits of HK$11,976,000 (2014: HK$11,088,000) and trade receivables of HK$57,919,000 (2014: HK$119,927,000).

33. DEFERRED TAXATION

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

	Accelerated tax depreciation	Intangible assets	Revaluation of properties	Withholding tax on undistributed earnings	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013	(797)	(5,552)	(2,181)	(4,861)	338	(13,053)
Credit (charge) to profit or loss	399	671	(1,134)	(1,731)	(141)	(1,936)
Charge to other comprehensive income	–	–	(406)	–	–	(406)
Exchange realignment	1	572	12	147	(6)	726
At 31 December 2014	(397)	(4,309)	(3,709)	(6,445)	191	(14,669)
Credit (charge) to profit or loss	186	561	50	(1,173)	(201)	(577)
Charge to other comprehensive income	–	–	190	–	–	190
Exchange realignment	12	431	193	327	(10)	953
At 31 December 2015	(199)	(3,317)	(3,276)	(7,291)	(20)	(14,103)

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

	2015	2014
	HK$'000	*HK$'000*
Deferred tax assets	561	272
Deferred tax liabilities	(14,664)	(14,941)
	(14,103)	(14,669)

At 31 December 2015, the Group had unused tax losses of HK$36,332,000 (2014: HK$26,011,000), available to offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2015	2014
	HK$'000	*HK$'000*
2031	–	143
2032	2,494	2,495
2033	4,342	4,346
2034	7,165	7,171
2035	1,869	–
Indefinite	20,462	11,856
	36,332	26,011

As at 31 December 2015, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$7,920,000 (2014: HK$7,762,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. SHARE CAPITAL

	Notes	Number of ordinary shares	Share capital HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2014		3,500,000	350
Increase in authorised share capital on 21 June 2014	*c*	1,996,500,000	199,650
At 31 December 2014 and 2015		2,000,000,000	200,000
Issued and fully paid:			
At 1 January 2014		1,500,000	150
Share issued upon Corporate Reorganisation	*a*	400,000	40
Capitalisation of shareholders' loan	*b*	100,000	10
Capitalisation Issue	*d*	298,000,000	29,800
Shares issued upon public offer and international placing	*e*	100,000,000	10,000
Shares issued upon exercise of over-allotment option	*f*	15,000,000	1,500
At 31 December 2014		415,000,000	41,500
Repurchase and cancellation of ordinary shares	*g*	(434,000)	(43)
At 31 December 2015		414,566,000	41,457

Notes:

(a) On 31 March 2014, the Company issued 400,000 shares at HK$0.10 each for the acquisition of OT HK, Citynet, OT WW HK, OT SL HK and On Union HK from the Ultimate Controlling Shareholders.

(b) On 5 June 2014, the Company issued 100,000 shares at HK$0.10 each to the Ultimate Controlling Shareholders to settle the shareholders' loan amounting to HK$24,976,000.

(c) Pursuant to the written resolution passed by all shareholders of the Company on 21 June 2014, the authorised share capital of the Company was increased from HK$350,000 to HK$200,000,000 by the creation of 1,996,500,000 additional new shares of HK$0.10 each in the capital of the Company.

(d) The directors of the Company were authorised to capitalise an amount of HK$29,800,000 standing to the credit of the share premium account of the Company on 10 July 2014 by applying such sum in paying up in full at par 298,000,000 ordinary shares of HK$0.10 each of the Company for allotment and issue to the shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 21 June 2014. On 10 July 2014, the directors of the Company allotted and issued such shares as aforesaid and gave effect on the capitalisation issue.

(e) 100,000,000 ordinary shares of HK$0.10 each of the Company were allotted and issued at the price of HK$1.18 per share by way of public offer in Hong Kong and international placing on the listing date. On 11 July 2014, the shares of the Company were listed on the Stock Exchange.

(f) On 23 July 2014, a further 15,000,000 shares of HK$0.10 each were issued at HK$1.18 per share pursuant to the exercise of an over-allotment option.

34. SHARE CAPITAL (CONTINUED)

Notes: (CONTINUED)

(g) During the year, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary Shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
September	434,000	1.13	1.07	481

The above ordinary shares were cancelled on 14 October 2015.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

35. NON-CONTROLLING INTERESTS

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Other comprehensive expense allocated to non-controlling interests		Accumulated non-controlling interest	
		2015	2014	2015	2014	2015	2014	2015	2014
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
On Time Worldwide Logistics Ltd. ("OT Korea")	Korea	49%	49%	619	70	(214)	(145)	3,688	3,283
OTX Logistics Holland Group	The Netherlands	25%	25%	2,057	4,304	(2,755)	(3,259)	20,246	20,944
Individual immaterial subsidiaries with non-controlling interests				(223)	1,337	(95)	1	5,366	4,053
				2,453	5,711	(3,064)	(3,403)	29,300	28,280

35. NON-CONTROLLING INTERESTS (CONTINUED)

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

OT Korea

	2015 *HK$'000*	2014 *HK$'000*
Current assets	11,714	13,494
Non-current assets	193	230
Current liabilities	(4,381)	(7,023)
Non-current liabilities	–	–
Equity attributable to owners of the Company	3,838	3,418
Non-controlling interests	3,688	3,283
Revenue	68,520	93,182
Expenses	(67,258)	(93,039)
Profit for the year	1,262	143
Profit attributable to owner of the Company	643	73
Profit attributable to the non-controlling interests	619	70
Profit for the year	1,262	143
Other comprehensive expense attributable to owner of the Company	(223)	(150)
Other comprehensive expense attributable to the non-controlling interests	(214)	(145)
Other comprehensive expense for the year	(437)	(295)
Total comprehensive income (expense) attributable to owner of the Company	420	(77)
Total comprehensive income (expense) attributable to the non-controlling interests	405	(75)
Total comprehensive income (expense) for the year	825	(152)
Dividends paid to non-controlling interest	–	–
Net cash inflow from operating activities	3,458	774
Net cash outflow from investing activities	(67)	(1,790)
Net cash (outflow) inflow from financing activities	(1,478)	141
Net cash inflow (outflow)	1,913	(875)

35. NON-CONTROLLING INTERESTS (CONTINUED)

OTX Logistics Holland Group

	2015 *HK$'000*	2014 *HK$'000*
Current assets	121,365	135,880
Non-current assets	35,939	48,935
Current liabilities	(99,414)	(122,941)
Non-current liabilities	(3,651)	(4,667)
Equity attributable to owners of the Company	33,993	36,263
Non-controlling interests	20,246	20,944
Revenue	367,494	487,692
Expenses	(360,082)	(471,319)
Profit for the year	7,412	16,373
Profit attributable to owner of the Company	5,355	12,069
Profit attributable to the non-controlling interests	2,057	4,304
Profit for the year	7,412	16,373
Other comprehensive expense attributable to owner of the Company	(7,625)	(9,721)
Other comprehensive expense attributable to the non-controlling interests	(2,755)	(3,259)
Other comprehensive expense for the year	(10,380)	(12,980)
Total comprehensive (expense) income attributable to owner of the Company	(2,270)	2,348
Total comprehensive (expense) income attributable to the non-controlling interests	(698)	1,045
Total comprehensive (expense) income for the year	(2,968)	3,393
Dividends paid to non-controlling interest	–	–
Net cash inflow from operating activities	23,038	4,352
Net cash outflow from investing activities	(912)	(1,462)
Net cash outflow from financing activities	(198)	(237)
Net cash inflow	21,928	2,653

36. RETIREMENT BENEFIT PLANS

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

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

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

During the year ended 31 December 2015, the total cost charged to profit or loss of HK$24,732,000 (2014: HK$23,775,000) represents contributions payable to these schemes by the Group. As at 31 December 2015 and 31 December 2014, contributions of HK$3,506,000 and HK$3,940,000 respectively due in respect of the reporting period had not been paid over to the schemes.

37. PLEDGE OF ASSETS

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

	2015	**2014**
	HK$'000	*HK$'000*
Trade receivables	57,919	119,927
Held for trading investments	929	1,044
Pledged bank deposits	11,976	11,088
	70,824	132,059

38. OPERATING LEASES

The Group as a lessor

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

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	1,358	198
In the second to fifth year inclusive	357	–
	1,715	198

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

38. OPERATING LEASES (CONTINUED)

The Group as a lessee

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

	2015 *HK$'000*	2014 *HK$'000*
Within one year	51,313	29,724
In the second to fifth year inclusive	77,509	77,650
Over five years	8,665	17,163
	137,487	124,537

As at 31 December 2015, included in the above future minimum lease payments for related companies are HK$2,914,800 (2014: HK$5,288,400).

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

39. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

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

As at 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 2,882,000, representing 0.70% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on its listing date on 11 July 2014, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of specific categories of options are as follows:

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

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

Options were granted on 26 January 2015. A nominal consideration of HK$1 was paid on acceptance of the options granted by each participant. The total fair value of the share options determined at the date of grant using the trinomial option pricing model was HK$1,224,000.

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme of the Company: (Continued)

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

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

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

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

During the year ended 31 December 2015, the Group recognised the total expense of HK$539,000 in relation to share options granted by the Company and transferred HK$15,000 to retained earnings due to departure of an employee with share options granted.

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$443,000 (2014: HK$450,000).

During the year ended 31 December 2014, the Company issued 100,000 shares at HK$0.10 each to shareholders to settle the shareholders' loan amounting to HK$24,976,000.

During the year ended 31 December 2014, the Company capitalised an amount of HK$29,800,000 standing to the credit of the share premium account by allotting and issuing 298,000,000 ordinary shares of HK$0.10 each.

During the year ended 31 December 2014, loan receivables amounting to HK$6,956,000 was settled through the amounts due from directors.

During the year ended 31 December 2014, the Company declared dividend amounting to HK$97,000,000, of which HK$60,400,000 was settled through the amounts due from directors.

41. RELATED PARTY TRANSACTIONS

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

	2015 *HK$'000*	2014 *HK$'000*
Associates		
OT Bangladesh		
– Freight income received	709	616
– Freight charge paid	25,492	16,235
– Loan interest income	–	7
OT WW Dubai		
– Freight income received	10	1,181
– Freight charge paid	1,706	983
– Management fee income received	18	6
OT Abu Dhabi		
– Freight charge paid	9	–
– Management fee income	1	–
VGL HK		
– Freight income received	1,794	–
– Freight charge paid	112	–
– Management fee income received	24	–
– Loan interest income	17	–
VGL China		
– Management fee income received	35	–
Joint venture		
OTX Logistics Rotterdam B.V.		
– Freight income received	23,996	32,856
– Freight charge paid	2,711	2,565
Related companies controlled by Mr. Lam		
First Choice International Limited		
– Rental expenses	1,020	1,020
On Good Development Limited		
– Rental expenses	1,448	1,520
Related company controlled by Mr. Dennis Ronald de Wit		
T.Y.D. Holding B.V.		
– Management fee paid	1,300	1,556
Director and one of the Ultimate Controlling Shareholders		
Mr. Lam		
– Acquisition of trademarks	–	9,350

41. RELATED PARTY TRANSACTIONS (CONTINUED)

None of the above related party transactions constitutes connected transaction or continuing connected transaction which is subject to shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange.

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

	2015	**2014**
	HK$'000	*HK$'000*
Staff costs excluding retirement benefit contributions	15,591	15,959
Retirement benefit contributions	320	531
	15,911	16,490

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

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2015	**2014**
	HK$'000	*HK$'000*
Non-current asset		
Interest in a subsidiary *(note i)*	427,167	385,387
Current assets		
Other receivables and prepayments	375	336
Bank balances and cash	36,844	74,880
	37,219	75,216
Current liability		
Other payables	761	1,337
Current asset	36,458	73,879
Total assets less current liability	463,625	459,266
Capital and reserves *(note ii)*		
Share capital	41,457	41,500
Reserves	422,168	417,766
	463,625	459,266

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

Notes:

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

(ii) Capital and reserves

	Share capital	Share premium	Share options reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	150	241	–	–	391
Profit for the year	–	–	–	94,428	94,428
Total comprehensive income for the year	–	–	–	94,428	94,428
Share issued upon Corporate Reorganisation	40	315,989	–	–	316,029
Capitalisation of shareholders' loan	10	24,966	–	–	24,976
Capitalisation issue	29,800	(29,800)	–	–	–
Shares issued upon public offer and international placing	10,000	108,000	–	–	118,000
Shares issued on exercise of over-allotment option	1,500	16,200	–	–	17,700
Expenses incurred in connection with issue of shares	–	(15,258)	–	–	(15,258)
Dividend paid to shareholders	–	–	–	(97,000)	(97,000)
At 31 December 2014	41,500	420,338	–	(2,572)	459,266
Profit for the year	–	–	–	10,943	10,943
Total comprehensive income for the year	–	–	–	10,943	10,943
Repurchase and cancellation of ordinary shares	(43)	–	–	–	(43)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(440)	–	–	(440)
Recognition of equity-settled share-based payment	–	–	539	–	539
Lapse of equity-settled share-based payment	–	–	(15)	15	–
Dividend paid to shareholders *(note 15)*	–	–	–	(6,640)	(6,640)
At 31 December 2015	41,457	419,898	524	1,746	463,625

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2015 and 31 December 2014 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group 2015	Equity interest attributable to the Group 2014	Place of operation	Principal activities
Gold Forum International Limited	BVI 3 May 2011	US$50,000	100%	100%	Hong Kong	Investment holding
Harbour Zone Limited	BVI 4 January 2011	US$50,000	100%	100%	Hong Kong	Investment holding
Jumbo Channel Limited	BVI 4 May 2011	US$50,000	100%	100%	Hong Kong	Investment holding
OT BVI	BVI 3 March 2011	US$50,000	100%	100%	Hong Kong	Investment holding
On Time Worldwide Logistics Limited	Cambodia 4 November 2010	KHR4,000,000	70%	70%	Cambodia	Provision of freight forwarding services
OTX Logistics Canada Limited	Canada 15 April 2011	CAD10	51%	51%	Canada	Provision of freight forwarding services
Champion Kind Limited 聯恩有限公司 ("Champion Kind")	Hong Kong 10 July 2015	HK$800,000	55% *(note 1)*	N/A	Hong Kong	Investment holding
Citynet 聯城物流環球有限公司	Hong Kong 17 September 1999	HK$2	100%	100%	Hong Kong	General sales agency
eTotal Solution Limited	Hong Kong 9 June 2015	HK$3,000,000	100%	N/A	Hong Kong	Provision of forwarding service freight
Holicbuy Company Limited ("Holicbuy")	Hong Kong 30 May 2014	HK$10,000	70% *(note 2)*	60% *(note 2)*	Hong Kong	E-commerce

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group 2015	2014	Place of operation	Principal activities
Mega Glory International Trading Limited 百匯國際貿易有限公司 ("Mega Glory")	Hong Kong 22 May 2015	HK$10,000	51% *(note 3)*	N/A	Hong Kong	Inactive
Mega Wise Group Limited 百睿集團有限公司 ("Mega Wise")	Hong Kong 6 November 2015	HK$3,800,000	51% *(note 4)*	N/A	Hong Kong	Inactive
On Time Aviation Services Limited 先達航材服務有限公司	Hong Kong 11 April 2011	HK$10,000	100%	100%	Hong Kong	Provision of freight forwarding services for aviation products
OT HK先達國際貨運有限公司	Hong Kong 18 July 1995	HK$20,000,000	100%	100%	Hong Kong	Provision of freight forwarding services and investment holding
On Line Service Limited	Hong Kong 17 December 2009	HK$10,000	100%	100%	Hong Kong	Inactive
OT SL HK 先達航運有限公司	Hong Kong 15 September 2004	HK$10,000	100%	100%	Hong Kong	Issuing of bills of lading
On Time Worldwide Limited	Hong Kong 12 July 2011	HK$10,000	75%	75%	Hong Kong	Provision of freight forwarding services
OT WW HK 先達環球物流有限公司	Hong Kong 30 April 2014	HK$500,000	100%	100%	Hong Kong	Provision of warehousing services
On Union HK 安聯管理有限公司	Hong Kong 8 December 2003	HK$10,000	100%	100%	PRC	Properties holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group 2015	2014	Place of operation	Principal activities
On Time International Logistics Private Limited	India 12 January 2010	INR33,146,690	100%	100%	India	Provision of freight forwarding services
PT. On Time Express	Indonesia 22 February 2000	US$200,000	95%	95%	Indonesia	Provision of freight forwarding services
On Time Worldwide Logistics Company Limited	Japan 28 November 2011	JPY20,000,000	100%	100%	Japan	Provision of freight forwarding brokerage services
OT Korea	Korea 20 January 2006	KRW300,000,000	51%	51%	Korea	Provision of freight forwarding services
City Net Global Cargo Sdn. Bhd.	Malaysia 2 April 2012	RM100	100%	100%	Malaysia	Inactive
On Time International Logistics Sdn. Bhd. ("OT Int'I Malaysia")	Malaysia 4 December 2002	RM230,000	60% *(note 5)*	60%	Malaysia	Inactive
On Time Worldwide Logistics Sdn. Bhd.	Malaysia 25 November 2004	RM1,500,000	100%	100%	Malaysia	Provision of freight forwarding services
OT China 先達國際貨運(上海)有限公司@	PRC 10 October 2014	RMB12,000,000	100%	100%	PRC	Provision of freight forwarding services
On Time Worldwide Logistics Pte. Ltd.	Singapore 22 June 2006	SGD110,000	70%	70%	Singapore	Provision of freight forwarding services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the Group 2015	2014	Place of operation	Principal activities
OTWL – On Time Worldwide Logistics Ltd. 先達環球物流有限公司	Taiwan 8 December 2005	TWD7,500,000	100%	100%	Taiwan	Provision of freight forwarding services
On-Time Worldwide Logistics Limited ("OT Thailand")	Thailand 4 January 2006	THB10,000,000	82.5% *(note 6)*	82.5% *(note 6)*	Thailand	Agent for provision of freight forwarding services
OTX Logistics Holland	The Netherlands 28 May 1998	EUR86,300	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Solutions B.V. ("OTX Solutions Holland")	The Netherlands 19 April 2006	EUR18,000	45% *(note 7)*	45% *(note 7)*	The Netherlands	Provision of freight forwarding services
Westport Recon B.V.	The Netherlands 17 December 1993	EUR18,151	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Logistics Inc.	USA 1 October 2011	US$2,000,000	100%	100%	USA	Provision of freight forwarding services
On Time Worldwide Logistics DWC-LLC	United Arab Emirates 25 April 2012	AED300,000	100%	100%	Dubai	Provision of freight forwarding services
On Time Worldwide Logistics (Vietnam) Co., Ltd. ("OT Vietnam")	Vietnam 22 December 2005	US$80,000	100% *(note 8)*	100% *(note 8)*	Vietnam	Provision of freight forwarding services

* The English name is translated for identification purpose only.

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

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

1. On 6 November 2015, the Group acquired 440,000 issued shares of Champion Kind from an independent third party, representing 55% of the entire issued share capital of Champion Kind. Champion Kind is an indirectly 55% owned subsidiary after the acquisition.

2. Holicbuy was incorporated in Hong Kong as a limited liability company on 30 May 2014. On 1 August 2015, the Group acquired additional 1,000 issued shares, from an independent third party, representing 10% of the entire issued share capital in Holicbuy at a consideration of HK$1,000. The Group owned 70% equity interest after addition of shares acquired.

3. On 9 November 2015, the Group acquired 51% interest in Mega Glory at a consideration of HK$10,000. Mega Glory became a subsidiary of the Group.

4. Mega Wise was incorporated on 6 November 2015 and the Group acquired 51% equity interest of Mega Wise on its date of incorporation.

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

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

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

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

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

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

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2015	**2014**	**2013**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	3,223,589	3,468,061	3,161,290	2,633,886	2,319,867
Profit before taxation	65,359	91,747	74,047	58,004	64,432
Income tax expense	13,006	26,463	19,072	13,731	10,286
Profit attributable to owners of the Company	49,900	59,573	46,447	37,830	51,218
Profit attributable to non-controlling interests	2,453	5,711	8,528	6,443	2,928

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	**2014**	**2013**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	115,061	107,502	108,513	99,997	101,197
Current assets	750,881	809,710	812,955	684,850	506,000
Total assets	865,942	917,212	921,468	784,847	607,197
Current liabilities	372,775	453,589	558,219	458,880	331,775
Total assets less current liabilities	493,167	463,623	363,249	325,967	275,422
Non-current liabilities	17,676	18,060	15,989	14,170	13,565
Net assets	475,491	445,563	347,260	311,797	261,857
Equity					
Share capital	41,457	41,500	20,670	20,909	20,909
Reserves	404,734	375,783	299,248	272,503	229,580
Net assets attributable to owners of the Company	446,191	417,283	319,918	293,412	250,489
Non-controlling interests	29,300	28,280	27,342	18,385	11,368
Total equity	475,491	445,563	347,260	311,797	261,857

GLOSSARY

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

"2016 AGM"	the 2016 AGM to be held on 13 June 2016
"AGM"	annual general meeting of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	On Time Logistics Holdings Limited
"Company Secretary"	the secretary of the Company
"Corporate Governance Committee"	the corporate governance committee of the Company
"Director(s)"	the director(s) of the Company
"Executive Committee"	the executive committee of the Company
"FY2014"	the year ended 31 December 2014
"FY2015"	the year ended 31 December 2015
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IT"	information technology
"Listing Date"	11 July 2014, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"MD&A"	the Management Discussion and Analysis
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Prospectus"	the prospectus of the Company dated 30 June 2014
"Remuneration Committee"	the remuneration committee of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value HK$0.1 each in the issued share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 21 June 2014
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent