

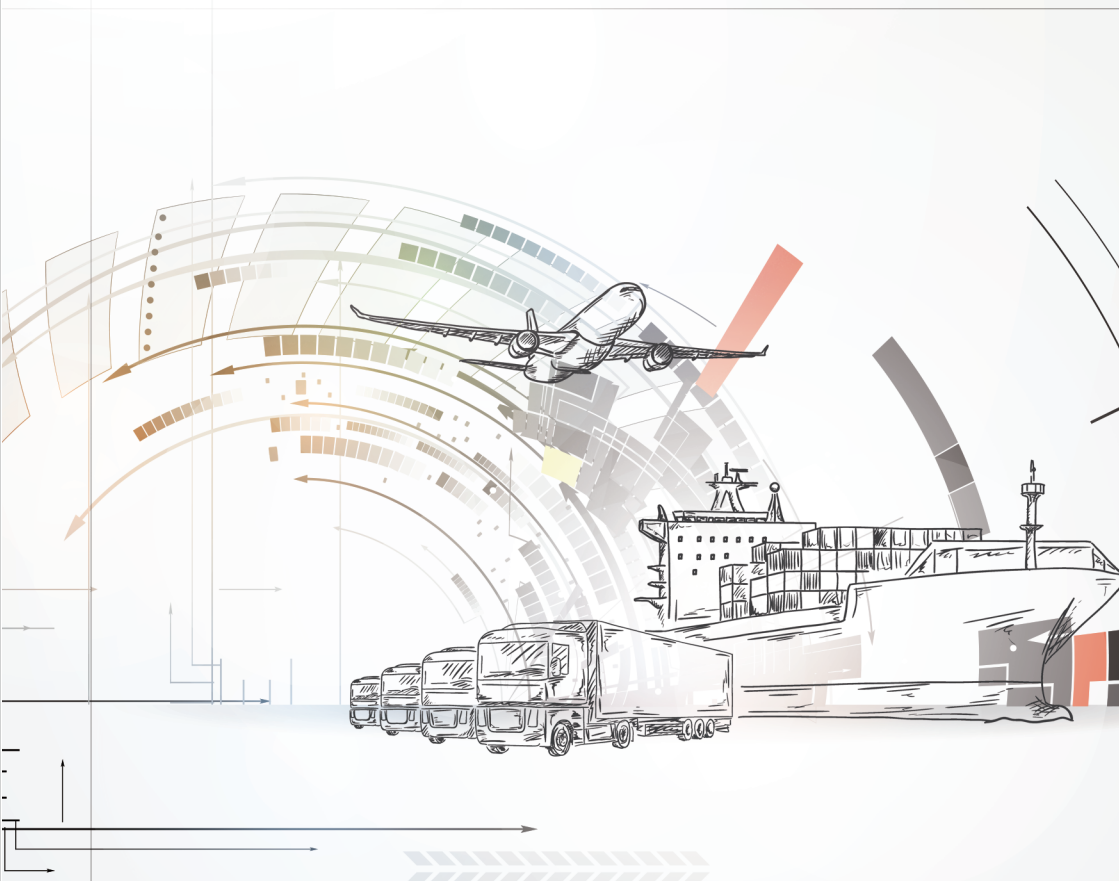


## ON TIME LOGISTICS HOLDINGS LIMITED

先達國際物流控股有限公司

(Incorporated in the Cayman Islands with limited liability)

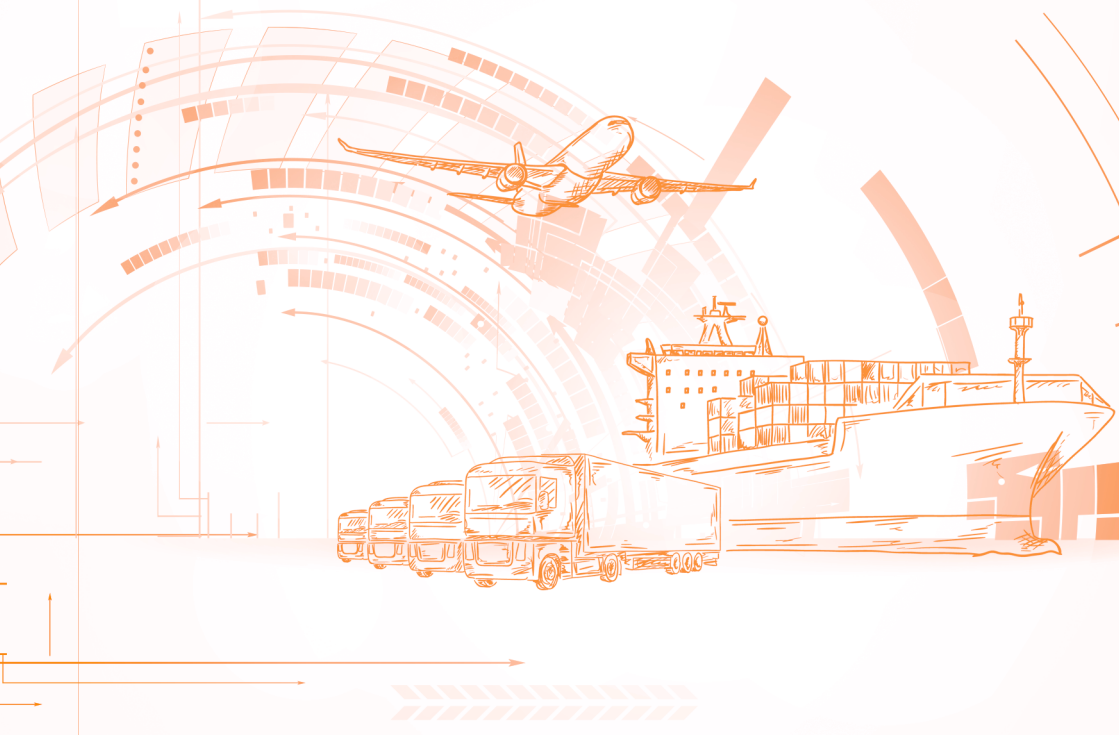
(Stock Code: 6123)



**INTERIM REPORT**  
**2016**

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### COMPANY SECRETARY

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

### AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Lam Chun Chin, Spencer  
Ms. Wong Pui Wah

### AUTHORISED REPRESENTATIVE

(for the purpose of the Companies Ordinance)

Ms. Wong Pui Wah

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### CORPORATE GOVERNANCE COMMITTEE

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

### REGISTERED OFFICE

Cricket Square  
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  
Kowloon Bay  
Hong Kong

### 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](http://www.ontime-express.com)

### STOCK CODE

6123

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The board (the “Board”) of directors (the “Directors”) of On Time Logistics Holdings Limited (先達國際物流控股有限公司) (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (the “Reporting Period”). The relevant financial figures for the six months ended 30 June 2015 (the “1H2015”) or other dates/periods are also set out in this report for comparative purposes.

During the Reporting Period, the demand for logistics and freight forwarding services decreased after the continued rise in the past consecutive years. Such drop was in line with the slowdown in global market development, especially in Europe and South America leading to the decrease in exports in the People’s Republic of China (“China”). The keen competition in the freight forwarding market and the oversupply in air cargo space and sea cargo space also led to a drop in selling rate resulted in a reduction in the Group’s revenue in the first six months of 2016.

### FINANCIAL RESULTS

The Group’s major revenue during the Reporting Period was contributed by the air freight and ocean freight businesses. During the Reporting Period, the Group recorded revenue of about HK\$1,253.9 million (1H2015: about HK\$1,487.1 million), representing a period-on-period drop of about 15.7%. Gross profit amounted to about HK\$231.9 million (1H2015: about HK\$245.8 million), representing a period-on-period decrease of about 5.7%. However, due to a better cost control, the gross profit margin increased to about 18.5% (1H2015: about 16.5%), while the net profit attributable to owners of the Company decreased significantly by about 107.7% period-on-period from profit to loss of about HK\$1.2 million (1H2015: profit of about HK\$15.5 million). The loss was mainly due to the decrease in demand for air freight services; the keen competition in the forwarding market and the oversupply in air cargo space and sea cargo space which led to a drop in selling rate, hence a reduction in the Group’s revenue; the poor economy in Europe and South America leading to the decrease in exports in China; the increase in rental expenses due to the expansion of ancillary and contract logistics services business; the increase of investment in the e-commerce business, which has not yet contributed profit to the Group; and the severance package paid to the station managers who left the Group during the Reporting Period.

### SEGMENTAL ANALYSIS

The Group’s core businesses are air freight 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 comprise 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENTAL ANALYSIS (CONTINUED)

#### Air Freight

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 63.7% of the Group's total revenue during the Reporting Period (1H2015: about 65.5%). 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 has 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.

During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$799.3 million (1H2015: about HK\$974.4 million), representing a significant drop of about 18.0% as compared to the corresponding period of 2015. Gross profit of the segment also dropped from about HK\$136.2 million in the corresponding period of 2015 to about HK\$114.2 million during the Reporting Period, representing a decrease of about 16.2% period-on-period. In respect of air import and export tonnage, the Group noted a period-on-period increase of about 2.5%.

#### Ocean Freight

Contributing about 30.7% of the Group's total revenue during the Reporting Period (1H2015: about 30.1%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the Reporting Period, revenue of ocean freight segment decreased by about 13.9% period-on-period to about HK\$385.0 million (1H2015: about HK\$447.2 million). However, due to better cost control, gross profit increased to about HK\$84.1 million (1H2015: about HK\$81.0 million). Owing to the market conditions, the Group has successfully transferred related costs to its customers so as to reduce the cost burden and improve this segment's performance. During the Reporting Period, the ocean freight shipping volume handled by the Group reached to about 55,399 (1H2015: about 50,375) twenty-foot equivalent unit, representing a slight increase of about 10% from the corresponding period of 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENTAL ANALYSIS (CONTINUED)

#### The 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 Reporting Period, the revenue of the GSA business, after eliminating all inter-group companies transactions, increased to about HK\$15,000 (1H2015: about HK\$1,000). Our revenue generated from the GSA business recorded as net agency income, and therefore our gross profit margin of the GSA business maintained at 100% during the Reporting Period and 1H2015.

#### Ancillary and Contract Logistics Services

Accounting for about 3.1% (1H2015: about 2.1%) of the Group's total revenue during the Reporting Period, the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology ("IT") platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation to cope with market conditions. Consequently, this business achieved revenue of about HK\$39.0 million (1H2015: about HK\$31.9 million) and gross profit of about HK\$20.5 million (1H2015: about HK\$18.0 million).

#### Others

The other businesses include combined shipments, trucking e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other businesses recorded revenue of about HK\$30.5 million (1H2015: about HK\$33.6 million) and gross profit of about HK\$13.1 million (1H2015: about HK\$10.7 million). The gross profit margin of other businesses increased from 31.7% in 1H2015 to 42.9% during the Reporting Period, which is mainly due to a better cost control.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group has centralized 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 30 June 2016 was about HK\$371.1 million, representing a slight decrease of about 1.9% from about HK\$378.1 million as at 31 December 2015. The current ratio of the Group improved from about 2.01 times as at 31 December 2015 to about 2.25 times as at 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 30 June 2016, the Group's bank balances and cash amounted to about HK\$212.5 million, representing a decrease of about 12.3% from about HK\$242.3 million as at 31 December 2015. For the Reporting Period, the Group had operating cash inflow of about HK\$11.8 million (1H2015: operating cash inflow of about HK\$30.6 million). As at 30 June 2016, the Group's outstanding bank borrowings amounted to about HK\$71.1 million (as at 31 December 2015: about HK\$98.6 million). The gearing ratio of the Group was about 15.2% as at 30 June 2016 (as at 31 December 2015: about 20.7%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2016 and as at 31 December 2015, the Group maintained a net cash position.

### FOREIGN EXCHANGE RISK

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, CAD, TWD, JPY, VND, IDR, KRW and AED among which, RMB, EUR and USD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HKD is pegged to USD.

The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2015. 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 Reporting Period.

### CAPITAL EXPENDITURE COMMITMENTS

The Group did not have any capital expenditure commitments as at 30 June 2016 (as at 31 December 2015: Nil).

### CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

### CHARGE ON ASSETS

At the end of the Reporting Period, certain of the Group's trade receivables with an aggregate carrying amount of about HK\$51.9 million (as at 31 December 2015: about HK\$57.9 million), held-for-trading investments with a carrying amount of about HK\$1.0 million (as at 31 December 2015: about HK\$0.9 million) together with short-term bank deposits of about HK\$12.0 million (as at 31 December 2015: about HK\$12.0 million) were pledged to secure certain banking facilities granted to the Group. On 3 August 2016, the bank has released "All Monies" debenture of On Time Express Limited ("OT HK") an indirect wholly owned subsidiary of the Company, which was charged at the Hong Kong Companies Registry since 31 May 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **EVENTS AFTER THE REPORTING PERIOD**

Reference is made to the Company's announcement dated 27 July 2016 (the "Announcement"). The Company was informed by the controlling shareholders of the Company, namely Golden Strike International Limited ("Lam Investco") (a company which is interested in approximately 46.5% of the total issued share capital of the Company and beneficially owned as to 100% by Mr. Lam Chun Chin, Spencer ("Mr. Lam"), the Chairman of the Board and an executive Director), and Polaris International Holdings Limited ("Haenisch Investco", together with Lam Investco, the "Potential Vendors") (a company which is interested in approximately 25.4% of the total issued share capital of the Company and beneficially owned as to 100% by Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch") that on 27 July 2016 (after trading hours), the Potential Vendors, Mr. Lam and Mr. Haenisch entered into a memorandum of understanding (the "MOU") with an independent third party as purchaser (the "Potential Purchaser") in respect of a possible sale and purchase of 275,330,900 shares in the Company (representing approximately 66.7% of the total issued share capital of the Company as at the date of the Announcement), which, if materialised, may lead to a change in control of the Company and a mandatory general offer of the Potential Purchaser under the Code on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong (the "Takeovers Code") for all the issued shares of the Company (other than those already owned by or agreed to be acquired by the Potential Purchaser and parties acting in concert with it) (the "Possible Transaction").

No formal and legally binding sale and purchase agreement has been entered into in respect of the Possible Transaction as at the date of the Announcement. The discussions are still in progress and the Possible Transaction may or may not proceed. Save and except for the provisions relating to due diligence, exclusivity, earnest money, confidentiality and announcement, expenses, termination, governing law and counterparts, other provisions of the MOU do not have any legally binding effect. In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the aforesaid discussions will be made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Takeovers Code (as the case may be).

### **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no material acquisition or disposal of subsidiaries or associated companies of the Company during the Reporting Period.

### **PROSPECTS**

Despite the economic slowdown in Europe and South America markets leading to the decrease in exports in China for the Reporting Period, the global demand for logistics and freight forwarding services and warehouse and logistics business, brought about by the e-commerce business and the improvement in the United States and Europe's business environment, are expected to remain healthy in the medium to long term.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PROSPECTS (CONTINUED)

#### **Strengthen Global Presence and Expand Office Network**

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

#### **Enhance Core Businesses with Growth Potential**

Aside 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, 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 22,300 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 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 30 June 2016, the Group employed about 1,103 employees (as at 30 June 2015: about 1,141 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.

During the Reporting Period, training activities have been conducted to improve the performance of sales and marketing activities and customer services.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

| Month of repurchase | Total number of shares repurchased | Repurchase price per share |                | Aggregate consideration<br>HK\$ |
|---------------------|------------------------------------|----------------------------|----------------|---------------------------------|
|                     |                                    | Highest<br>HK\$            | Lowest<br>HK\$ |                                 |
| January 2016        | 1,762,000                          | 1.18                       | 1.08           | 2,019,280                       |

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

### INTERIM DIVIDEND

The Board has decided not to declare an interim dividend for the Reporting Period.

### DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the facility letter entered into by the Company on 29 August 2016 (the "Facility Letter"), a bank in Hong Kong has agreed to grant to OT HK banking facilities in an aggregate sum of HK\$125.2 million which shall be subject to renewal by 15 July 2017. The Facility Letter contains a condition which requires Mr. Lam, one of the controlling shareholders of the Company, to remain as the chairman of the Company and the largest single shareholder of the Company 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 about HK\$125.2 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As of the date of this report, OT HK is in compliance with the Facility Letter.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### 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 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 for Securities Transactions by Directors of Listed Issuers (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/<br>nature of interest                           | Number<br>of shares<br>involved | Approximate<br>percentage*<br>of shareholding |
|--------------------------------|---|---|---------------------------------|---|
| Mr. Lam Chun Chin,<br>Spencer  | The Company                                       | Interest of a controlled<br>corporation ( <i>Note 1</i> ) | 192,000,000                     | 46.51%  |
|                                |   | Beneficial owner  | <u>100,000</u>                  | 0.02%   |
|                                |   | Total   | 192,100,000                     | 46.53%  |
| Mr. Hartmut Ludwig<br>Haenisch | The Company                                       | Interest of a controlled<br>corporation ( <i>Note 2</i> ) | 105,000,000                     | 25.44%  |
| Ms. Cheung Ching Wa,<br>Camy   | The Company                                       | Interest of a controlled<br>corporation ( <i>Note 3</i> ) | 3,000,000                       | 0.73%   |
|                                |   | Beneficial owner  | <u>2,498,000</u>                | 0.60%   |
|                                |   | Total   | 5,498,000                       | 1.33%   |
| Mr. Dennis Ronald<br>de Wit    | OTX Logistics B.V.<br>(associated<br>corporation) | Interest of a controlled<br>corporation ( <i>Note 4</i> ) | 21,575                          | 25%   |

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### 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 of the Company are held by Lam Investco, which is wholly owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the shares of the Company held by Lam Investco.
2. These shares of the Company are held by Haenisch Investco, which is wholly owned by Mr. Haenisch. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the shares of the Company held by Haenisch Investco.
3. These shares of the Company are held by Grand Splendour Holdings Limited (廣輝控股有限公司), which is wholly owned by Ms. Cheung Ching Wa, Camy. By virtue of the SFO, Ms. Cheung Ching Wa, Camy is deemed to be interested in the shares of the Company 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. Dennis Ronald de Wit. Mr. Dennis Ronald de Wit is a director of T.Y.D. Holding B.V.. By virtue of the SFO, Mr. Dennis Ronald de Wit is deemed to be interested in the shares of OTX Logistics B.V. held by T.Y.D. Holding B.V..

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

#### (B) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

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

*Note:* Details of the share option 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 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 30 June 2016, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### Long position in ordinary shares of the Company

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

\* The percentage represents the number of shares of the Company involved divided by the number of the Company's issued shares as at 30 June 2016.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

*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 of the Company 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 of the Company 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 of the Company 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 of the Company in which Mr. Haenisch is interested.
3. Mr. Ruan David Ching-chi and Ms. Yip Yok Tak Amy are deemed to be interested in these shares of the Company through their controlled corporations, namely, Asian Equity Special Opportunities Portfolio Master Fund Limited and Rays Capital Partners Limited.

Save as disclosed above, as at 30 June 2016, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) pursuant to Chapter 17 of the Listing Rules on 21 June 2014. The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Group. During the Reporting Period, movements of the share options granted under the Scheme are summarised as follows:

| Name or category of grantees | Date of grant   | Exercise period                   | Exercise price per share<br>HK\$ | Number of share options          |                           |                             |                          |                             | Outstanding as at 30 June 2016 |
|------------------------------|-----------------|-----------------------------------|----------------------------------|----------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------------|
|                              |                 |                                   |                                  | Outstanding as at 1 January 2016 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period |                                |
| Director<br>Ms. Wong Pui Wah | 26 January 2015 | 26 January 2017 – 25 January 2019 | 1.65                             | 598,000                          | -                         | -                           | -                        | -                           | 598,000                        |
| <b>Sub-total</b>             |                 |                                   |                                  | <b>598,000</b>                   | <b>-</b>                  | <b>-</b>                    | <b>-</b>                 | <b>-</b>                    | <b>598,000</b>                 |
| Employees                    | 26 January 2015 | 26 January 2017 – 25 January 2019 | 1.65                             | 2,284,000                        | -                         | -                           | (100,000)                | -                           | 2,184,000                      |
| <b>Sub-total</b>             |                 |                                   |                                  | <b>2,284,000</b>                 | <b>-</b>                  | <b>-</b>                    | <b>(100,000)</b>         | <b>-</b>                    | <b>2,184,000</b>               |
| <b>Total</b>                 |                 |                                   |                                  | <b>2,882,000</b>                 | <b>-</b>                  | <b>-</b>                    | <b>(100,000)</b>         | <b>-</b>                    | <b>2,782,000</b>               |

#### 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.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)**

### **CORPORATE GOVERNANCE**

The Board has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period, except for the deviation from code provision A.2.1 of the CG Code as described below.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Lam’s strong expertise in the freight forwarding industry, the Board considers 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 roles of chairman and chief executive officer separately.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors’ securities transactions throughout the Reporting Period.

### **UPDATE ON DIRECTORS’ INFORMATION**

Set out below are the changes in the Directors’ information, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (1) Mr. Ng Wai Hung has been appointed as an independent non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited (a company listed on the Growth Enterprise Market of the Stock Exchange on 11 July 2016; stock code: 8328) with effect from 25 June 2016.
- (2) On 1 July 2016, Mr. Dennis Ronald de Wit and the Company entered into a supplemental agreement relating to his service agreement. Pursuant to such agreement, Mr. Dennis Ronald de Wit’s benefits in respect of his accommodation when travelling shall be amended to the following: (i) if he is travelling to Hong Kong, he shall be provided with accommodation subsidies of HK\$1,650 per day during his stay; and (ii) if he is travelling to any places other than Hong Kong, accommodation at an international class hotel shall be provided to him.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### AUDIT COMMITTEE

The Company has established an audit committee which comprises the three independent non-executive Directors, namely, Mr. Wong See Ho, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Mr. Wong See Ho is the chairman of the audit committee.

The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited consolidated financial statements of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

### APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By order of the Board of  
**On Time Logistics Holdings Limited**  
先達國際物流控股有限公司  
**Lam Chun Chin, Spencer**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 August 2016

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

### TO THE BOARD OF DIRECTORS OF ON TIME LOGISTICS HOLDINGS LIMITED

#### INTRODUCTION

We have reviewed the condensed consolidated financial statements of On Time Logistics Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

#### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
29 August 2016

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
 FOR THE SIX MONTHS ENDED 30 JUNE 2016

|  |       | (Unaudited)              |                    |
|--|-------|--------------------------|--------------------|
|  |       | Six months ended 30 June |                    |
|  |       | 2016                     | 2015               |
|  | NOTES | HK\$'000                 | HK\$'000           |
| Revenue  | 3     | 1,253,881                | 1,487,113          |
| Cost of sales  |       | <u>(1,021,973)</u>       | <u>(1,241,268)</u> |
| Gross profit   |       | 231,908                  | 245,845            |
| Other income   |       | 3,348                    | 3,758              |
| Administrative expenses                              |       | (225,100)                | (224,949)          |
| Other gains or losses                                |       | (3,071)                  | (847)              |
| Share of profit of associates                        |       | 91                       | 75                 |
| Share of loss of joint ventures                      |       | (2,663)                  | (83)               |
| Finance costs  |       | <u>(1,605)</u>           | <u>(2,275)</u>     |
| Profit before tax                                    |       | 2,908                    | 21,524             |
| Income tax expenses                                  | 4     | <u>(2,876)</u>           | <u>(4,533)</u>     |
| <b>Profit for the period</b>                         | 5     | <u>32</u>                | <u>16,991</u>      |
| <b>(Loss) profit for the period attributable to:</b> |       |                          |                    |
| Owners of the Company                                |       | (1,194)                  | 15,549             |
| Non-controlling interests                            |       | <u>1,226</u>             | <u>1,442</u>       |
|  |       | <u>32</u>                | <u>16,991</u>      |
| (Loss) earnings per share                            | 6     | <i>HK cents</i>          | <i>HK cents</i>    |
| Basic  |       | <u>(0.29)</u>            | <u>3.75</u>        |
| Diluted  |       | <u>(0.29)</u>            | <u>3.75</u>        |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

|   | (Unaudited)              |          |
|---|--------------------------|----------|
|   | Six months ended 30 June |          |
|   | 2016                     | 2015     |
|   | HK\$'000                 | HK\$'000 |
| <b>Profit for the period</b>  | 32                       | 16,991   |
| <b>Other comprehensive income (expense),<br/>net of income tax</b>              |                          |          |
| <i>Items that will not be reclassified to profit or loss:</i>                   |                          |          |
| Revaluation (decrease) increase on leasehold land and<br>buildings              | (285)                    | 236      |
| Deferred tax arising on revaluation of leasehold land and<br>buildings          | 121                      | 9        |
| <i>Items that may be reclassified subsequently to profit or loss:</i>           |                          |          |
| Net change in fair value of available-for-sale investment                       | (581)                    | –        |
| Provision of impairment loss on available-for-sale<br>investment                | 581                      | –        |
| Share of reserve of associates  | 3                        | (5)      |
| Share of reserve of joint ventures  | 42                       | (420)    |
| Exchange differences arising from overseas operations                           | (543)                    | (9,501)  |
| <b>Other comprehensive expense for the period</b>                               | (662)                    | (9,681)  |
| <b>Total comprehensive (expense) income for the period</b>                      | (630)                    | 7,310    |
| <b>Total comprehensive (expense) income for the period<br/>attributable to:</b> |                          |          |
| Owners of the Company   | (1,701)                  | 8,574    |
| Non-controlling interests   | 1,071                    | (1,264)  |
|   | (630)                    | 7,310    |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

|   |       | (Unaudited)<br>30 June<br>2016<br>HK\$'000 | (Audited)<br>31 December<br>2015<br>HK\$'000 |
|---|-------|--|--|
|   | NOTES |  |  |
| <b>Non-current assets</b>                   |       |  |  |
| Investment properties                       | 8     | 7,118                                      | 7,634  |
| Property, plant and equipment               | 9     | 46,412                                     | 48,482                                       |
| Goodwill                                    |       | 14,577                                     | 14,429                                       |
| Intangible assets                           |       | 19,489                                     | 20,918                                       |
| Interests in associates                     |       | 931  | 671  |
| Interests in joint ventures                 |       | 5,658                                      | 4,390  |
| Available-for-sale investments              |       | 16,991                                     | 17,976                                       |
| Deferred tax assets                         |       | 187  | 561  |
|   |       | 111,363                                    | 115,061                                      |
| <b>Current assets</b>                       |       |  |  |
| Trade receivables                           | 10    | 358,670                                    | 423,001                                      |
| Other receivables, deposits and prepayments |       | 65,703                                     | 56,868                                       |
| Held for trading investments                |       | 970  | 929  |
| Amounts due from joint ventures             | 16    | 4,650                                      | 5,851  |
| Amounts due from associates                 | 16    | 7,723                                      | 8,304  |
| Loan to an associate                        |       | 1,083                                      | 500  |
| Prepaid tax                                 |       | 4,375                                      | 1,152  |
| Pledged bank deposits                       |       | 11,986                                     | 11,976                                       |
| Bank balances and cash                      |       | 212,482                                    | 242,300                                      |
|   |       | 667,642                                    | 750,881                                      |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2016

|  |       | (Unaudited)<br>30 June<br>2016<br>HK\$'000 | (Audited)<br>31 December<br>2015<br>HK\$'000 |
|--|-------|--|--|
|  | NOTES |  |  |
| <b>Current liabilities</b>                       |       |  |  |
| Trade and other payables                         | 11    | 220,834                                    | 265,029                                      |
| Amount due to an associate                       | 16    | –  | 339  |
| Amount due to a joint venture                    | 16    | 2  | 2  |
| Amount due to a related company                  | 16    | 10   | 49   |
| Tax liabilities                                  |       | 4,064                                      | 8,158  |
| Obligations under finance leases                 |       |  |  |
| – due within one year                            | 12    | 582  | 603  |
| Bank borrowings                                  | 13    | 71,060                                     | 98,595                                       |
|  |       | 296,552                                    | 372,775                                      |
| <b>Net current assets</b>                        |       | 371,090                                    | 378,106                                      |
| <b>Total assets less current liabilities</b>     |       | 482,453                                    | 493,167                                      |
| <b>Non-current liabilities</b>                   |       |  |  |
| Trade and other payables                         |       |  |  |
| – due after one year                             | 11    | 1,379                                      | 2,596  |
| Obligations under finance leases                 |       |  |  |
| – due after one year                             | 12    | 353  | 416  |
| Deferred tax liabilities                         |       | 13,410                                     | 14,664                                       |
|  |       | 15,142                                     | 17,676                                       |
|  |       | 467,311                                    | 475,491                                      |
| <b>Capital and reserves</b>                      |       |  |  |
| Share capital                                    | 14    | 41,280                                     | 41,457                                       |
| Reserves   |       | 396,118                                    | 404,734                                      |
| Net assets attributable to owners of the Company |       | 437,398                                    | 446,191                                      |
| Non-controlling interests                        |       | 29,913                                     | 29,300                                       |
| <b>Total equity</b>                              |       | 467,311                                    | 475,491                                      |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

|   | Attributable to owners of the Company |                              |                                |   |   |   |                                    |   |  |  |                                 |                   | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------------------------|------------------------------|--------------------------------|---|---|---|------------------------------------|---|--|--|---------------------------------|-------------------|--|-------------------|
|   | Share<br>capital<br>HK\$'000          | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Special<br>reserve<br>HK\$'000<br><i>(Note a)</i> | Share<br>options<br>reserve<br>HK\$'000 | Other<br>reserve<br>HK\$'000<br><i>(Note c)</i> | Translation<br>reserve<br>HK\$'000 | Statutory<br>reserve<br>HK\$'000<br><i>(Note b)</i> | Property<br>revaluation<br>reserve<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |  |                   |
| At 1 January 2015 (audited)   | 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 period   | -                                     | -                            | -                              | -   | -                                       | -   | -                                  | -   | -  | -  | 15,549                          | 15,549            | 1,442  | 16,991            |
| Revaluation increase on leasehold land and buildings                | -                                     | -                            | -                              | -   | -                                       | -   | -                                  | -   | 236  | -  | -                               | 236               | -  | 236               |
| Deferred tax arising on revaluation of leasehold land and buildings | -                                     | -                            | -                              | -   | -                                       | -   | -                                  | -   | 9  | -  | -                               | 9                 | -  | 9                 |
| Share of reserve of associates                                      | -                                     | -                            | -                              | -   | -                                       | -   | (5)                                | -   | -  | -  | -                               | (5)               | -  | (5)               |
| Share of reserve of joint ventures                                  | -                                     | -                            | -                              | -   | -                                       | -   | (420)                              | -   | -  | -  | -                               | (420)             | -  | (420)             |
| Exchange differences arising from overseas operations               | -                                     | -                            | -                              | -   | -                                       | -   | (6,795)                            | -   | -  | -  | -                               | (6,795)           | (2,706)                                      | (9,501)           |
| Total comprehensive (expense) income for the period                 | -                                     | -                            | -                              | -   | -                                       | -   | (7,220)                            | -   | 245  | -  | 15,549                          | 8,574             | (1,264)                                      | 7,310             |
| Recognition of equity-settled share-based payment                   | -                                     | -                            | -                              | -   | 259                                     | -   | -                                  | -   | -  | -  | -                               | 259               | -  | 259               |
| Dividend paid to shareholders                                       | -                                     | -                            | -                              | -   | -                                       | -   | -                                  | -   | -  | (6,640)  | -                               | (6,640)           | -  | (6,640)           |
| Transfer to statutory reserve                                       | -                                     | -                            | -                              | -   | -                                       | -   | -                                  | 124   | -  | -  | -                               | (124)             | -  | -                 |
| At 30 June 2015 (unaudited)   | 41,500                                | 420,338                      | 203                            | (295,411)   | 259                                     | (705)   | (12,875)                           | 6,323   | 10,573   | -  | 249,271                         | 419,476           | 27,016                                       | 446,492           |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

|  | Attributable to owners of the Company |               |                 |                     |                       |                     |                     |                     |                              |                                |                  | Non-controlling interests | Total   |         |
|--|---------------------------------------|---------------|-----------------|---------------------|-----------------------|---------------------|---------------------|---------------------|------------------------------|--------------------------------|------------------|---------------------------|---------|---------|
|  | Share capital                         | Share premium | Capital reserve | Special reserve     | Share options reserve | Other reserve       | Translation reserve | Statutory reserve   | Property revaluation reserve | Investment revaluation reserve | Retained profits |                           |         | Total   |
|  | HKS'000                               | HKS'000       | HKS'000         | HKS'000<br>(Note a) | HKS'000               | HKS'000<br>(Note c) | HKS'000             | HKS'000<br>(Note b) | HKS'000                      | HKS'000                        | HKS'000          | HKS'000                   | HKS'000 | HKS'000 |
| At 1 January 2016 (audited)  | 41,457                                | 419,898       | (5)             | (295,411)           | 524                   | (705)               | (19,841)            | 7,856               | 10,314                       | -                              | 282,104          | 446,191                   | 29,300  | 475,491 |
| (Loss) profit for the period   | -                                     | -             | -               | -                   | -                     | -                   | -                   | -                   | -                            | -                              | (1,194)          | (1,194)                   | 1,226   | 32      |
| Revaluation decrease on leasehold land and buildings                             | -                                     | -             | -               | -                   | -                     | -                   | -                   | -                   | (285)                        | -                              | -                | (285)                     | -       | (285)   |
| Deferred tax arising on revaluation of leasehold land and buildings              | -                                     | -             | -               | -                   | -                     | -                   | -                   | -                   | 121                          | -                              | -                | 121                       | -       | 121     |
| Net change in fair value of available-for-sale investment                        | -                                     | -             | -               | -                   | -                     | -                   | -                   | -                   | -                            | (581)                          | (581)            | -                         | -       | (581)   |
| Provision of impairment loss on available-for-sale investment                    | -                                     | -             | -               | -                   | -                     | -                   | -                   | -                   | -                            | 581                            | 581              | -                         | -       | 581     |
| Share of reserve of associates   | -                                     | -             | -               | -                   | -                     | -                   | 3                   | -                   | -                            | -                              | -                | 3                         | -       | 3       |
| Share of reserve of joint ventures   | -                                     | -             | -               | -                   | -                     | -                   | 42                  | -                   | -                            | -                              | -                | 42                        | -       | 42      |
| Exchange differences arising from overseas operations                            | -                                     | -             | -               | -                   | -                     | -                   | (388)               | -                   | -                            | -                              | -                | (388)                     | (155)   | (543)   |
| Total comprehensive (expense) income for the period                              | -                                     | -             | -               | -                   | -                     | -                   | (343)               | -                   | (164)                        | -                              | (1,194)          | (1,701)                   | 1,071   | (630)   |
| Repurchase and cancellation of ordinary shares                                   | (177)                                 | (1,843)       | -               | -                   | -                     | -                   | -                   | -                   | -                            | -                              | -                | (2,020)                   | -       | (2,020) |
| Transaction costs attributable to repurchase and cancellation of ordinary shares | -                                     | (7)           | -               | -                   | -                     | -                   | -                   | -                   | -                            | -                              | -                | (7)                       | -       | (7)     |
| Recognition of equity-settled share-based payment                                | -                                     | -             | -               | -                   | 301                   | -                   | -                   | -                   | -                            | -                              | -                | 301                       | -       | 301     |
| Lapse of equity-settled share-based payment                                      | -                                     | -             | -               | -                   | (19)                  | -                   | -                   | -                   | -                            | -                              | 19               | -                         | -       | -       |
| Dividend paid to shareholders  | -                                     | -             | -               | -                   | -                     | -                   | -                   | -                   | -                            | -                              | (5,366)          | (5,366)                   | -       | (5,366) |
| Dividend paid to non-controlling shareholders                                    | -                                     | -             | -               | -                   | -                     | -                   | -                   | -                   | -                            | -                              | -                | -                         | (458)   | (458)   |
| Transfer to statutory reserve  | -                                     | -             | -               | -                   | -                     | -                   | -                   | 483                 | -                            | -                              | (483)            | -                         | -       | -       |
| At 30 June 2016 (unaudited)  | 41,280                                | 418,048       | (5)             | (295,411)           | 806                   | (705)               | (20,184)            | 8,339               | 10,150                       | -                              | 275,080          | 437,398                   | 29,913  | 467,311 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

*Notes:*

- (a) Special reserve comprises (i) the difference between the nominal amount of 500,000 shares of the Company amounting to HK\$50,000 as consideration in exchange for the paid up capital of On Time Worldwide Logistics Limited (“OT BVI”) amounting to HK\$389,000 after elimination of share premium amounting to HK\$241,000 as part of the Corporate Reorganisation in year ended 31 December 2013 and (ii) the difference between the aggregate net assets value of Citynet Logistics Worldwide Limited (“Citynet”), On Time Worldwide Logistics Limited (“OT WW HK”), On Time Shipping Line Limited (“OT SL HK”), On Union Management Limited (“On Union HK”) and On Time Express Limited (“OT HK”) amounting to HK\$316,029,000 and the aggregate share capital of Citynet, OT WW HK, OT SL HK, On 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, On 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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

|  | (Unaudited)              |           |
|--|--------------------------|-----------|
|  | Six months ended 30 June |           |
|  | 2016                     | 2015      |
|  | HK\$'000                 | HK\$'000  |
| NET CASH FROM OPERATING ACTIVITIES                                     | 11,807                   | 30,571    |
| INVESTING ACTIVITIES   |                          |           |
| Interest received  | 231                      | 324       |
| Purchase of property, plant and equipment                              | (3,655)                  | (5,172)   |
| Proceeds on disposal of property, plant and equipment                  | 13                       | 125       |
| Repayment from joint ventures  | 3,255                    | 3,556     |
| Repayment from (advance to) associates                                 | 662                      | (4,875)   |
| Placement of pledged bank deposits                                     | –                        | (6)       |
| Acquisition of interest in an associate                                | (166)                    | (237)     |
| Acquisition of interest in a joint venture                             | (3,889)                  | (50)      |
| Purchase of available-for-sale investments                             | –                        | (581)     |
| NET CASH USED IN INVESTING ACTIVITIES                                  | (3,549)                  | (6,916)   |
| FINANCING ACTIVITIES   |                          |           |
| Interest paid  | (1,605)                  | (2,275)   |
| Increase (decrease) in bank overdrafts                                 | 989                      | (8,507)   |
| Decrease in factoring loans  | (5,216)                  | (31,042)  |
| New bank loans raised  | 116,228                  | 126,216   |
| Repayment of bank loans  | (139,601)                | (122,269) |
| Repayment to a related party   | (39)                     | –         |
| Dividend paid to shareholders  | (5,366)                  | (6,640)   |
| Dividend paid to non-controlling interests of the subsidiaries         | (458)                    | –         |
| Advance from related companies   | –                        | 27        |
| Repayment of obligation under finance leases                           | (336)                    | (291)     |
| Payment for repurchase of ordinary share                               | (177)                    | –         |
| Payment for transactions attributable to repurchase of ordinary shares | (1,850)                  | –         |
| NET CASH USED IN FINANCING ACTIVITIES                                  | (37,431)                 | (44,781)  |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                              | (29,173)                 | (21,126)  |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD                | 242,300                  | 242,978   |
| Effect of foreign exchange rate changes                                | (645)                    | (1,198)   |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD                     | 212,482                  | 220,654   |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS                   |                          |           |
| Bank balances and cash   | 212,482                  | 220,654   |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

|  |  |
|--|--|
| Amendments to HKAS 1                         | Disclosure Initiative  |
| Amendments to HKAS 16 and HKAS 38            | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer Plants   |
| Amendments to HKAS 27                        | Equity Method in Separate Financial Statements                       |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception            |
| Amendments to HKFRS 11                       | Accounting for Acquisitions of Interests in Joint Operations         |
| Amendments to HKFRSs                         | Annual Improvements to HKFRSs 2012-2014 Cycle                        |

The application of above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**3. 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 segments and to assess their performance.

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

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

**a. Segment revenue and results**

|                                  | <b>(Unaudited)</b><br><b>Segment revenue</b> |                  | <b>(Unaudited)</b><br><b>Segment results</b> |                 |
|----------------------------------|--|------------------|--|-----------------|
|                                  | <b>Six months ended 30 June 2016</b>         | <b>2015</b>      | <b>Six months ended 30 June 2016</b>         | <b>2015</b>     |
|                                  | <i>HK\$'000</i>                              | <i>HK\$'000</i>  | <i>HK\$'000</i>                              | <i>HK\$'000</i> |
| Operating and reportable segment |  |                  |  |                 |
| Air freight                      | 799,339                                      | 974,446          | 81,353                                       | 97,910          |
| Ocean freight                    | 384,963                                      | 447,194          | 60,544                                       | 58,806          |
| General sales agency             | 15   | 1                | (434)  | (401)           |
| Logistics                        | 39,016                                       | 31,907           | (754)  | 2,650           |
| Others                           | 30,548                                       | 33,565           | 13,096                                       | 10,651          |
| <b>Total</b>                     | <b>1,253,881</b>                             | <b>1,487,113</b> | <b>153,805</b>                               | <b>169,616</b>  |
| Share of profit of associates    |  |                  | 91   | 75              |
| Share of loss of joint ventures  |  |                  | (2,663)                                      | (83)            |
| Other income                     |  |                  | 3,348  | 3,758           |
| Other gains or losses            |  |                  | (3,071)                                      | (847)           |
| Unallocated corporate expenses   |  |                  | (146,997)                                    | (148,720)       |
| Finance costs                    |  |                  | (1,605)                                      | (2,275)         |
| <b>Profit before tax</b>         |  |                  | <b>2,908</b>                                 | <b>21,524</b>   |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**3. SEGMENT INFORMATION (CONTINUED)**

**a. Segment revenue and results (continued)**

Reportable segment results represents the profit earned by each segment without allocation of other income, other gains or losses, share of profit of associates, share of loss of joint ventures, finance costs and unallocated corporate expenses (including depreciation, amortisation and impairment).

**b. Segment assets and liabilities**

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

**c. Geographic information**

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

|  | (Unaudited)              |           |
|--|--------------------------|-----------|
|  | Six months ended 30 June |           |
|  | 2016                     | 2015      |
|  | HK\$'000                 | HK\$'000  |
| Hong Kong                              | 443,357                  | 532,746   |
| People's Republic of China (the "PRC") | 257,720                  | 294,580   |
| Other Asian regions                    | 199,929                  | 256,766   |
| The Netherlands                        | 148,511                  | 180,371   |
| North America                          | 204,364                  | 222,650   |
|  | 1,253,881                | 1,487,113 |

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

|                     | (Unaudited) | (Audited)   |
|---------------------|-------------|-------------|
|                     | 30 June     | 31 December |
|                     | 2016        | 2015        |
|                     | HK\$'000    | HK\$'000    |
| Hong Kong           | 40,903      | 43,985      |
| PRC                 | 8,186       | 9,114       |
| Other Asian regions | 3,899       | 3,839       |
| The Netherlands     | 30,871      | 31,500      |
| North America       | 3,737       | 3,025       |
|                     | 87,596      | 91,463      |

*Note:* Non-current assets exclude interests in associates, interests in joint ventures, available-for-sale investments and deferred tax assets.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**4. INCOME TAX EXPENSES**

|  | (Unaudited)              |          |
|--|--------------------------|----------|
|  | Six months ended 30 June |          |
|  | 2016                     | 2015     |
|  | HK\$'000                 | HK\$'000 |
| The charge (credit) comprises:                   |                          |          |
| Current tax                                      |                          |          |
| – Hong Kong Profits Tax                          | 132                      | 660      |
| – Enterprise Income Tax in the PRC               | –                        | 913      |
| – Dutch Corporate Income Tax                     | 874                      | 696      |
| – Vietnam Corporate Income Tax                   | 682                      | 751      |
| – Malaysia Corporate Income Tax                  | 504                      | –        |
| – Canadian Corporate Income Tax                  | 323                      | 159      |
| – Other Jurisdictions                            | 969                      | 1,540    |
|  | 3,484                    | 4,719    |
| Under (over) provision in respect of prior years |                          |          |
| – Vietnam Corporate Income Tax                   | –                        | (10)     |
| – Other Jurisdictions                            | 109                      | 120      |
|  | 109                      | 110      |
| Deferred taxation                                | (717)                    | (296)    |
|  | 2,876                    | 4,533    |



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

**4. INCOME TAX EXPENSES (CONTINUED)**

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiary of the Company is taxed at 25% during the period.

Dutch Corporate Income Tax rates are chargeable at progressive tax rates. The corporate income tax charge has been calculated at the tax rate between 20.0% to 25.5% during the period.

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 during the period, in accordance with the Vietnamese laws.

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

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

Pursuant to the rules and regulations of the British Virgin Islands ("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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**5. PROFIT FOR THE PERIOD**

|   | (Unaudited)              |          |
|---|--------------------------|----------|
|   | Six months ended 30 June |          |
|   | 2016                     | 2015     |
|   | HK\$'000                 | HK\$'000 |
| Profit for the period has been arrived at after charging (crediting): |                          |          |
| Depreciation of property, plant and equipment                         | 5,074                    | 5,538    |
| Amortisation of intangible assets                                     | 1,574                    | 1,574    |
| Impairment loss on trade receivables                                  | 4,061                    | 13,633   |
| Impairment loss on available-for-sale investment                      | 581                      | –        |
| Reversal of impairment loss on trade receivables                      | (1,184)                  | (2,391)  |
| Net exchange loss   | 2,108                    | 681      |

**6. (LOSS) EARNINGS PER SHARE**

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

|  | (Unaudited)              |          |
|--|--------------------------|----------|
|  | Six months ended 30 June |          |
|  | 2016                     | 2015     |
|  | HK\$'000                 | HK\$'000 |
| <b>(Loss) earnings</b>   |                          |          |
| (Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company) | (1,194)                  | 15,549   |

|   | (Unaudited)              |         |
|---|--------------------------|---------|
|   | Six months ended 30 June |         |
|   | 2016                     | 2015    |
|   | '000                     | '000    |
| <b>Number of shares</b>   |                          |         |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share | 412,895                  | 415,000 |

The computation of diluted (loss) 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 interim periods.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**7. DIVIDEND**

|   | (Unaudited)              |          |
|---|--------------------------|----------|
|   | Six months ended 30 June |          |
|   | 2016                     | 2015     |
|   | HK\$'000                 | HK\$'000 |
| Final dividend payable in respect of the year ended |                          |          |
| 31 December 2015 of HK1.3 cents (year ended 31      |                          |          |
| December 2014: 1.6 cents) per ordinary share        | 5,366                    | 6,640    |

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2016 (30 June 2015: Nil).

**8. INVESTMENT PROPERTIES**

The fair value of the Group's investment properties as at the end of the current interim period has been arrived at on the basis of a valuation carried out on the respective date 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. The resulting decrease in fair value of investment properties of HK\$338,000 has been recognised directly in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

**9. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2016, the Group acquired property, plant and equipment for a consideration of HK\$3,905,000 (six months ended 30 June 2015: HK\$5,614,000).

During the six months ended 30 June 2016, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$96,000 (six months ended 30 June 2015: HK\$221,000) for cash proceeds of HK\$13,000 (six months ended 30 June 2015: HK\$125,000), resulting in a loss on disposal of HK\$83,000 (six months ended 30 June 2015: HK\$96,000).

The Group's leasehold land and buildings classified as property, plant and equipment were valued by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair value 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. The resulting revaluation deficit of HK\$285,000 has been debited to the properties revaluation reserve during the six months ended 30 June 2016 (six months ended 30 June 2015: credited to the properties revaluation reserve at HK\$236,000).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**10. TRADE RECEIVABLES**

The Group allows an average credit period of 30 days to its trade customers.

The following is an analysis of trade receivables by age, net of allowance for bad and doubtful debts, presented based on invoice date, which approximately the respective revenue recognition dates, at the end of each of the reporting periods:

|               | (Unaudited)<br>30 June<br>2016<br>HK\$'000 | (Audited)<br>31 December<br>2015<br>HK\$'000 |
|---------------|--|--|
| 0 – 30 days   | 211,929                                    | 236,121                                      |
| 31 – 60 days  | 85,076                                     | 131,355                                      |
| 61 – 90 days  | 37,157                                     | 33,170                                       |
| 91 – 180 days | 16,275                                     | 15,367                                       |
| Over 180 days | 8,233                                      | 6,988  |
|               | <u>358,670</u>                             | <u>423,001</u>                               |

On 29 August 2016, Mr. Haensch, an executive director executed a personal guarantee and security and collateral agreement (whereby certain properties owned by him were specified as collaterals) in favour of the Company to guarantee trade receivable due and owing by one of the Company's customers, which is an independent third party. As at 30 June 2016, such trade receivable amounted to HK\$8,894,431.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**11. TRADE AND OTHER PAYABLES**

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

|                                       | <b>(Unaudited)</b><br><b>30 June</b><br><b>2016</b><br><i>HK\$'000</i> | <b>(Audited)</b><br><b>31 December</b><br><b>2015</b><br><i>HK\$'000</i> |
|---------------------------------------|--|--|
| Within 60 days                        | 157,764  | 172,540  |
| 61 – 180 days                         | 6,845  | 24,105   |
| 181 – 365 days                        | 1,829  | 1,846  |
| 1 – 2 years                           | 4,017  | 3,324  |
|                                       | <u>170,455</u>   | <u>201,815</u>   |
| Trade and other payables analysed as: |  |  |
| – Current                             | 220,834  | 265,029  |
| – Non-current                         | 1,379  | 2,596  |
|                                       | <u>222,213</u>   | <u>267,625</u>   |

**12. OBLIGATIONS UNDER FINANCE LEASES**

During the six months ended 30 June 2016, the Group obtained new obligations under finance leases amounting to HK\$250,000 (six months ended 30 June 2015: HK\$443,000) and repaid obligations under finance leases amounting to HK\$336,000 (six months ended 30 June 2015: HK\$291,000). The obligations under finance leases carry interest at fixed market rates of ranging from 0.24% to 2.75% and are repayable in instalments over a period of 3 years.

**13. BANK BORROWINGS**

During the six months ended 30 June 2016, the Group obtained new bank borrowings amounting to HK\$116,228,000 (31 December 2015: HK\$126,216,000) and repaid bank borrowings amounting to HK\$139,601,000 (31 December 2015: HK\$122,269,000). The loans carry interest at variable market rates ranging from 2.22% to 8.10% and are repayable with a repayment on demand clause. The proceeds were used to finance the general working capital of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**14. SHARE CAPITAL**

|   | Number of<br>ordinary shares | Share capital<br>HK\$'000 |
|---|------------------------------|---------------------------|
| Ordinary shares of HK\$0.10 each                        |                              |                           |
| <b>Authorised:</b>                                      |                              |                           |
| At 1 January 2015, 31 December 2015 and<br>30 June 2016 | 2,000,000,000                | 200,000                   |
| <b>Issued and fully paid:</b>                           |                              |                           |
| At 1 January 2015, 30 June 2015, 1 July 2015            | 415,000,000                  | 41,500                    |
| Repurchase and cancellation of ordinary shares          | (434,000)                    | (43)                      |
| At 31 December 2015                                     | 414,566,000                  | 41,457                    |
| Repurchase and cancellation of ordinary shares          | (1,762,000)                  | (177)                     |
| At 30 June 2016   | 412,804,000                  | 41,280                    |

**15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**

| Financial assets               | (Unaudited)      |                  | (Audited) | Fair value hierarchy | Valuation techniques and key inputs |
|--------------------------------|------------------|------------------|-----------|----------------------|-------------------------------------|
|                                | Fair value as at |                  |           |                      |                                     |
|                                | 30 June 2016     | 31 December 2015 |           |                      |                                     |
|                                | HK\$'000         | HK\$'000         |           |                      |                                     |
| Available-for-sale investments | 16,991           | –                |           | Level 1              | Quoted market bid price             |
| Held for trading investments   | 970              | 929              |           | Level 1              | Quoted market bid price             |

The directors of the Company consider that the carrying amounts of the Group's financial assets recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

**16. RELATED PARTY TRANSACTIONS AND BALANCES**

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 June 2016, the Group had significant transactions with related parties as follows:

|  | (Unaudited)              |          |
|--|--------------------------|----------|
|  | Six months ended 30 June |          |
|  | 2016                     | 2015     |
|  | HK\$'000                 | HK\$'000 |
| <b>(i) Associates</b>                                |                          |          |
| – Freight income received                            | 1,418                    | 819      |
| – Freight charge paid                                | 15,156                   | 11,627   |
| – Management fee income                              | 244                      | 5        |
| – Loan interest income                               | 13                       | –        |
| <b>(ii) Joint ventures</b>                           |                          |          |
| – Freight income received                            | 7,633                    | 12,390   |
| – Freight charge paid                                | 961                      | 1,759    |
| <b>(iii) Related companies with common directors</b> |                          |          |
| First Choice International Limited                   |                          |          |
| – Rental expenses                                    | 570                      | 510      |
| On Good Development Limited                          |                          |          |
| – Rental expenses                                    | 917                      | 766      |
| T.Y.D. Holding B.V.                                  |                          |          |
| – Management fee paid                                | –                        | 654      |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

At the end of the reporting period, the Group had balances with related parties as follows:

|                                |          | (Unaudited)<br>30 June<br>2016<br>HK\$'000 | (Audited)<br>31 December<br>2015<br>HK\$'000 |
|--------------------------------|----------|--|--|
|                                | NOTES    |  |  |
| <b>(i) Associates</b>          |          |  |  |
| – Trade receivables            | <i>a</i> | 1,080                                      | 416  |
| – Other receivables            | <i>b</i> | 6,643                                      | 7,888  |
| – Other payables               | <i>b</i> | –  | 339  |
|                                |          | <u>          </u>                          | <u>          </u>                            |
| <b>(ii) Joint ventures</b>     |          |  |  |
| – Trade receivables            | <i>c</i> | 3,899                                      | 1,845  |
| – Other receivables            | <i>b</i> | 751  | 4,006  |
| – Other payables               | <i>b</i> | 2  | 2  |
|                                |          | <u>          </u>                          | <u>          </u>                            |
| <b>(iii) Related Companies</b> |          |  |  |
| Other payables                 |          |  |  |
| – On Good Development Limited  | <i>b</i> | 10   | 49   |
|                                |          | <u>          </u>                          | <u>          </u>                            |

Notes:

- (a) The followings are the aging information of trade balances due from associates, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

|             | (Unaudited)<br>30 June<br>2016<br>HK\$'000 | (Audited)<br>31 December<br>2015<br>HK\$'000 |
|-------------|--|--|
| 0 – 60 days | <u>          </u><br>1,080                 | <u>          </u><br>416                     |

- (b) The amounts are non-interest bearing, unsecured and repayable on demand.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

- (c) The following is an aged analysis of trade balances due from joint ventures, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

|              | <b>(Unaudited)</b> | <b>(Audited)</b>   |
|--------------|--------------------|--------------------|
|              | <b>30 June</b>     | <b>31 December</b> |
|              | <b>2016</b>        | <b>2015</b>        |
|              | <i>HK\$'000</i>    | <i>HK\$'000</i>    |
| 0 – 30 days  | 2,100              | 1,542              |
| 31 – 60 days | 821                | 297                |
| 61 – 90 days | 978                | 6                  |
|              | <u>3,899</u>       | <u>1,845</u>       |

**17. PLEDGED 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:

|                              | <b>(Unaudited)</b> | <b>(Audited)</b>   |
|------------------------------|--------------------|--------------------|
|                              | <b>30 June</b>     | <b>31 December</b> |
|                              | <b>2016</b>        | <b>2015</b>        |
|                              | <i>HK\$'000</i>    | <i>HK\$'000</i>    |
| Trade receivables            | 51,923             | 57,919             |
| Held-for-trading investments | 970                | 929                |
| Pledged bank deposits        | 11,986             | 11,976             |
|                              | <u>64,879</u>      | <u>70,824</u>      |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**18. SHARE-BASED PAYMENT TRANSACTIONS**

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

Details of specific categories of options are as follows:

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

|  | <b>Number of<br/>share options</b> |
|--|------------------------------------|
| Outstanding as at 1 January 2015                       | –                                  |
| Granted during the year                                | 3,012,000                          |
| Lapse of share options due to departure of an employee | <u>(130,000)</u>                   |
| Outstanding as at 31 December 2015                     | 2,882,000                          |
| Granted during the period                              | –                                  |
| Lapse of share options due to departure of an employee | <u>(100,000)</u>                   |
| Outstanding as at 30 June 2016                         | <u>2,782,000</u>                   |

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

**18. SHARE-BASED PAYMENT TRANSACTIONS (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 behavioral considerations.

During the six months ended 30 June 2016, the Group recognised the total expense of HK\$301,000 in relation to share options granted by the Company and transferred HK\$19,000 to retained earnings due to departure of an employee with share options granted.