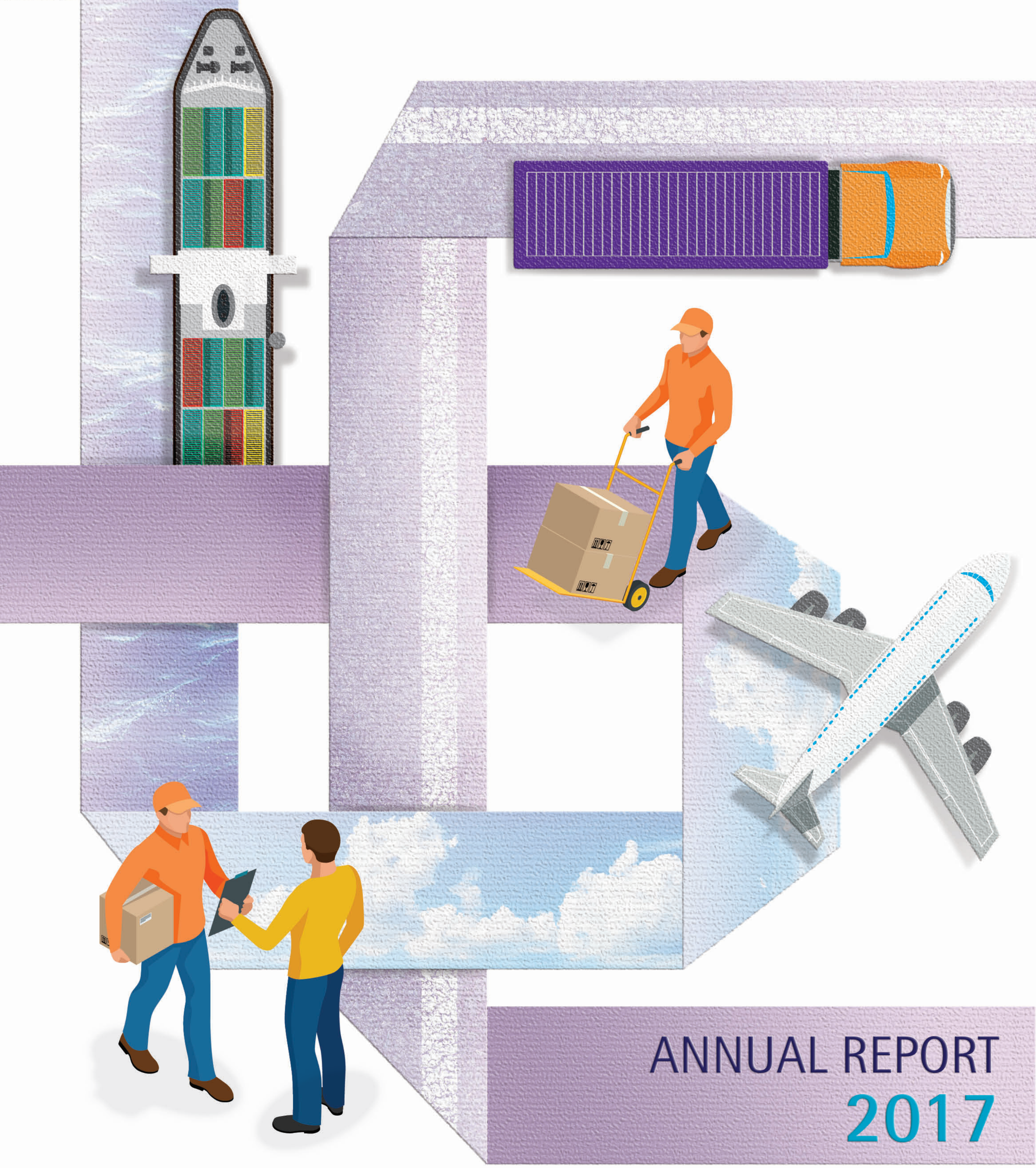
圓通速遞(國際)控股有限公司
YTO Express (International) Holdings Limited

(Formerly known as On Time Logistics Holdings Limited
先達國際物流控股有限公司)

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



ANNUAL REPORT 2017

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Lam Chun Chin, Spencer *(Chief Executive Officer)*
Mr. Li Xianjun *(President)*

NON-EXECUTIVE DIRECTORS
Mr. Yu Huijiao *(Chairman)*
Mr. Su Xiufeng
Mr. Zhu Rui
Mr. Lin Kai

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Li Donghui
Mr. Xu Junmin
Mr. Chung Kwok Mo John

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. Chung Kwok Mo John *(Chairman)*
Mr. Lin Kai
Mr. Li Donghui

REMUNERATION COMMITTEE
Mr. Xu Junmin *(Chairman)*
Mr. Yu Huijiao
Mr. Chung Kwok Mo John

NOMINATION COMMITTEE
Mr. Yu Huijiao *(Chairman)*
Mr. Li Donghui
Mr. Xu Junmin

CORPORATE GOVERNANCE COMMITTEE
Mr. Lam Chun Chin, Spencer *(Chairman)*
Mr. Li Xianjun
Mr. Li Donghui
Mr. Xu Junmin
Mr. Chung Kwok Mo John

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
Conyers 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.ytoglobal.com (effective from 10 April 2018)

STOCK CODE
6123

CHAIRMAN'S STATEMENT

NEW MOMENTUM BESTOWED UNDER LINKAGE WITH NEW OBJECTIVE ACHIEVED UPON INTEGRATION

The year of 2017 was a successful year. In light of the correct strategic guidance laid out by the Group, our management team achieved a significant growth in terms of business revenue, gross profit and net profit. Meanwhile, upon YTO Express, being the leader of the courier services industry in the PRC, officially becoming our new strategic controlling Shareholder, it laid a solid foundation for seizing new market opportunities and taking off for the second time.

Benefiting from the robust growth of the PRC's export sector, the recovery of the USA and European economy, and the rapid growth of cross-border e-commerce, our management team maintained high market flexibility and continued to closely cooperate with our strategic customers. Our business performed strongly in the PRC, USA and European Union markets, and the synergy between cross-border e-commerce business and the Company's principal freight forwarding business was significant. Especially in the fourth quarter, we grasped the opportunity derived from the price fluctuations in air freight sector and reacted rapidly, which in turn brought in abundant revenue for the Group. Meanwhile, the Group opened 4 new offices in order to expand global network.

LOOKING TO THE FUTURE

Since the PRC is expanding its foreign trade and cultivating new trading format and model, a new ground in opening China further is made through links running eastward and westward, across land and over sea. The "One Belt, One Road" initiative of the PRC and cross-border e-commerce brought us new market opportunities. YTO Express successfully acquired On Time Logistics Holdings Limited on 3 November 2017, representing a new milestone of the express delivery industry in the PRC stepping towards global competition and assisting "China's services" and "Made in China" going global collectively, which also marked a significant step in YTO Express materializing its global strategy. As the only overseas business platform of YTO Express, we will adhere to YTO Express's global development strategy, promote reformation through development, and strive for being an international integrated express delivery and logistics company with international express delivery as its core business eventually. While maintaining the advantage of its freight forwarding business and expanding global network, we will create a full-link product with "the most outstanding price/performance ratio" and strive to take the pole position on global logistics services. There will be new momentum bestowed under linkage with new objective achieved upon integration. We shall link with Chinese enterprises that are "going global", mainstream cross-border e-commerce platforms, upstream and downstream enterprises focusing in customs clearance, air transportation and logistics, etc., to establish a cooperative network. We will accelerate the integration of the wide-spread express delivery network of YTO Express, as well as the integration of YTO Express Airlines and the railway resources of Trans-Eurasia Logistics, in order to further transform key resources into controlling power, thereby enhancing our bargaining power and stabilizing fluctuations. We will grasp the opportunity and expedite the expansion of the Middle East, European Union and ASEAN market, and focus on constructing a regional and local delivery service networks with growth potential, and further invest in information technology to realize a house-bound visualized information system, and achieve seamless information convergence among air freight, ocean freight, e-commerce, overseas warehouse and express logistics enterprises.

While upholding our value of joint development and sharing, we recognized normalization and retained core capacities, and shared a common objective – "The World is Within Your Reach".

THANK YOU

The On Time team under YTO Express strengthened its market position and significantly improved its results amid high market volatility, which provided a concrete foundation for restructuring and upgrading in the future. Great attention and innovation from the Board, management and all of our staff members is needed for a market honeycombed with opportunities, and I hereby would like to express my gratitude and appreciation to all of our staff members for their efforts and contributions in 2017, and I am looking forward to the full commitment of our Shareholders and staff members to achieve the Company's strategic objectives.

Yu Huijiao
Chairman

Hong Kong, 22 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Board announces the audited annual results of the Group for the FY2017. During the FY2017, the demand for logistics and freight forwarding services increased steadily due to the recovery of global economy which was in line with the improvement of export business in the PRC and global market demand, especially in the USA. While benefiting from the rapid growth of global cross-border e-commerce, the Group followed the strategy of the Board and seized the opportunity of the boom of international express delivery and parcel market, and focused on the development of cross-border small parcel business, resulting in the significant increase in the amount of cross-border small parcel for the FY2017. This has enhanced the positive financial results for the FY2017.

Financial Results

The Group recorded revenue of about HK$3,670.5 million during the FY2017 (FY2016: about HK$2,867.3 million), representing an increase of about 28.0%. Gross profit amounted to about HK$571.8 million during the FY2017 (FY2016: about HK$492.0 million), representing an increase of about 16.2%. Gross profit margin during the FY2017 was about 15.6% (FY2016: about 17.2%). Net profit was about HK$101.0 million during the FY2017 (FY2016: about HK$6.3 million), representing an increase of about 1,502.1% while the net profit attributable to owners of the Company increased by about 1,863.0% to about HK$97.5 million during the FY2017 (FY2016: about HK$5.0 million). The increase in profit was mainly due to the overall increase in demand in the USA, recovery of the European market and increase in demand for cross-border small parcel delivery services. Further, due to (i) the increasing demand for the air freight services, part of the buying costs increased resulting in adjustment of the selling rate. Revenue from the air freight services business has therefore increased accordingly; (ii) the decrease in salaries and wages since severance package was paid to the station managers who left the Group during the FY2016; and (iii) the disposal of e-commerce business which had not contributed profit to the Group, the Group recorded a very substantial increase in the revenue and net profit for the FY2017.

Segmental Analysis

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

Air Freight

The cross-border small parcel delivery business is part of the air freight business. Followed by the increasing worldwide demand for online shopping of Chinese products, the demand for air freight services of cross-border small parcel delivery increased. The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 69.8% of the Group's total revenue during the FY2017 (FY2016: about 65.2%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including honours from the World Cargo Alliance, and "Top Agent Award" from Cathay Pacific Cargo/Cathay Dragon each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commence business and among others.

During the FY2017, the air freight business recorded revenue of about HK$2,561.6 million (FY2016: about HK$1,868.6 million), representing an increase of about 37.1%. Gross profit of the segment also increased from about HK$242.7 million in the FY2016 to about HK$299.1 million during the FY2017, representing an increase of about 23.3%. In respect of air import and export tonnage, the Group noted a total increase of tonnage of about 1.7% for the FY2017 when compared to the FY2016. During the FY2017, the Group acquired 3 offices due to the acquisition of Best Loader Logistics Company Limited ("Best Loader HK") and 翼尊國際貨運代理(上海)有限公司 ("Best Loader Shanghai"), disposed 3 offices due to the disposal of OTWL-On Time Worldwide Logistics Ltd. ("OT Taiwan"), On Time Worldwide Logistics Ltd. ("OT Korea") and Holicbuy Company Limited, closed down 2 offices which had been in deficit, and opened 4 offices in Hong Kong, Zhengzhou, Shenzhen and Hungary. As such, 53 offices around the world remained as at 31 December 2017, out of which 43 offices are located in 11 Asian countries and territories, comprising Hong Kong, the PRC, Cambodia, India, Indonesia, Japan, Malaysia, Singapore, Thailand, the United Arab Emirates and Vietnam, two offices in Europe and five offices in America.

BUSINESS REVIEW (CONTINUED)

Segmental Analysis (Continued)

Air Freight (Continued)

Currently, revenue from international express delivery and parcel (mainly cross-border small parcel) business is still being consolidated into air freight business segment. Benefiting from the rapid growth of global cross-border e-commerce and the continuously deepening cooperation with Zhejiang Cainiao Supply Chain Management Co. Limited, the Group further enhanced its cross-border small parcel business volume. Revenue from cross-border small parcel business increased from approximately HK$29.9 million during the FY2016 to approximately HK$93.0 million during the FY2017, representing a growth rate of approximately 211.0%.

Ocean Freight

Contributing about 25.2% of the Group's total revenue during the FY2017 (FY2016: about 29.1%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage service. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the FY2017, revenue of ocean freight segment increased by about 10.6% year-on-year to about HK$923.6 million (FY2016: about HK$835.1 million). Due to better cost control, gross profit increased to about HK$192.3 million during the FY2017 (FY2016: about HK$175.1 million), representing a slight increase of about 9.8%. 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 FY2017, the ocean freight shipping volume handled by the Group reached 116,720 twenty-foot equivalent unit (FY2016: 115,783 twenty-foot equivalent unit), representing an increase of about 0.8%.

Ancillary and Contract Logistics Services

Accounting for about 2.4% of the Group's total revenue during the FY2017 (FY2016: about 3.4%), the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the FY2017, the Group has adjusted its warehouse operation to cope with market conditions. Consequently, this business result was reflected with an achievement in revenue of about HK$89.4 million during the FY2017 (FY2016: about HK$97.8 million), representing a decrease of about 8.6% and the gross profit was about HK$46.4 million during the FY2017 (FY2016: about HK$48.2 million), representing a decrease of about 3.7%.

Others

The other businesses include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allows the Group to charge higher fees and consequently benefit from higher profits. During the FY2017, the other businesses recorded revenue of about HK$96.0 million (FY2016: about HK$65.9 million), representing an increase of about 45.7%, and gross profit of about HK$46.4 million (FY2016: about HK$26.0 million), representing an increase of about 30.1%. The increase of gross profit for other businesses during the FY2017 was contributed mainly by the increase of trucking and hand-carry services.

BUSINESS REVIEW (CONTINUED)

Liquidity and Financial Resources

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

The Group's working capital as at 31 December 2017 was about HK$434.5 million, representing an increase of about 17.6% from about HK$369.7 million as at 31 December 2016. The current ratio of the Group decreased from about 1.80 times as at 31 December 2016 to about 1.65 times as at 31 December 2017.

As at 31 December 2017, the Group's bank balances and cash amounted to about HK$248.2 million, representing an increase of about 17.5% from about HK$211.2 million as at 31 December 2016. For the FY2017, the Group had operating cash inflow of about HK$32.2 million (FY2016: operating cash outflow of about HK$24.1 million). As at 31 December 2017, the Group's outstanding bank borrowings amounted to about HK$179.8 million (as at 31 December 2016: about HK$145.4 million). The gearing ratio of the Group was about 32.5% as at 31 December 2017 (as at 31 December 2016: 31.4%). The gearing ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2017, the Group maintained a net cash position (as at 31 December 2016: net cash position). The Group will continue to secure financing as and when the need arises.

Foreign Exchange Risk

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, US$, RM, SGD, THB, INR, EUR, GBP, CAD, JPY, VND, IDR, HUF and AED among which, RMB, EUR and US$ are mostly used in the Group's business apart from HK$. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HK$ is pegged to US$. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the FY2016 and the FY2017. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the FY2017.

Capital Expenditure Commitments

As at 31 December 2017, the Group has below capital expenditure commitments (as at 31 December 2016: nil):

1. The contingent consideration of HK$7,200,000 to be determined based on the future financial performance of Best Loader Shanghai; and

2. The contingent consideration of HK$800,000 to be determined based on the future financial performance of Best Loader HK.

Please refer to the announcement of the Company dated 5 May 2017 for further details.

Charge on Assets

As at 31 December 2017, the Group had pledged the following assets to secure certain banking facilities representing guarantees on payment to certain airline suppliers of the Group for the Group's cargo space purchase and bank borrowings granted to the Group:

	2017 *HK$'000*	**2016** *HK$'000*
Trade receivables	120,713	119,615
Held for trading investments	1,017	995
Pledged bank deposits	8,472	10,747
	130,202	131,357

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the FY2017, the Group has below material acquisitions of subsidiaries:

1. The Group acquired 100% interest of Best Loader HK, a company incorporated in Hong Kong at a consideration of HK$3,000,000. The principal activity of Best Loader HK is provision of freight forwarding service; and

2. The Group acquired 100% interest of Best Loader Shanghai, a company incorporated in the PRC at a consideration of HK$27,000,000. The principal activity of Best Loader Shanghai is provision of freight forwarding service.

During the FY2017, the Group had conducted the below material disposal of subsidiaries:

1. The Group disposed the entire interest in OT Taiwan, a company incorporated in Taiwan at a consideration of HK$15,477,072; and

2. The Group disposed 3% interest in OT Korea, a company incorporated in South Korea at a consideration of HK$841,728.

Please refer to the announcements of the Company dated 5 May 2017, 20 October 2017 and 1 November 2017 for further details.

Save as disclosed, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company during the FY2017 (FY2016: nil).

PROSPECTS

During the FY2017, the economic rebound in European and American markets led to an increase in exports in the PRC. Global demand for logistics and freight forwarding services, warehouse and logistics business and e-commerce business delivery services keep rising. There are also improvements in the USA and Europe's business environment. All these factors are beneficial to the Group's medium to long term growth. Moreover, after the acquisition of 64.75% of the Shares by YTO Global Holdings Limited, a company incorporated in Hong Kong, which is a wholly-owned subsidiary of YTO Express, a joint stock limited liability company incorporated in the PRC (Shanghai Stock Exchange, Stock Code: 600233), the Company became a subsidiary of YTO Express. YTO Express possesses enormous e-commerce and corporate customer base within the PRC, an express logistics network with nationwide coverage and its own aviation fleet, which will provide concrete support for the Group's future business development. Given the rapid development of global cross-border e-commerce and the economic rebound of the European and USA market, the world's demand for freight service, warehousing and logistics services, particularly international express delivery and parcel services which offer great value for money, has been rising. All these factors act as an important drive for the Group's medium to long term growth.

Strategic Transformation and Comprehensive Development of International Express Delivery and Parcel Business

Adhering to the strategic vision of YTO Express, the Group will act as an international business platform for YTO Express with a development strategy of "going global with the "Belt and Road" initiative, going global with Chinese and Chinese enterprises, and going global with cross-border e-commerce industry" as its principle. The Group focuses on developing its international express delivery and parcel business by leveraging on the advantage of its international express delivery talent team, air freight, overseas subsidiaries network and customer resources accumulated for over 20 years. The Group will seek cooperation opportunity with major national post offices around the world and local express delivery companies, and gradually establish an international express delivery network by various ways such as acquisition and merger, agency, franchise, self-construction, etc., in order to develop international express delivery and parcel business.

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 including cross-border e-commerce, which will be supported by improved customer supply chain management and implementation of a comprehensive warehouse management system.

Explore E-commerce Opportunities and Bolster IT Capability

As one of the important focus areas of the Group going forward, the Group will continue to explore opportunities for the delivery of e-commerce products in different countries other than the PRC. The Company will seek for opportunities for cooperation with post offices located in countries, such as Eastern Europe and the USA, with growing consumer markets which make purchases through the PRC e-commerce platform to tap into new markets and gain new transport business which may increase the reliance of the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure.

It is expected that the Group will implement the above plans by the internal resources of the Group and/or external financing.

HUMAN RESOURCES

As at 31 December 2017, the Group employed about 1,060 employees (as at 31 December 2016: about 1,100 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. Training activities have also been conducted to improve the performance of sales and marketing activities and customer services.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the facility letter entered into by the Company on 6 October 2017 (the "Facility Letter"), a bank in Hong Kong has agreed to grant to On Time Express Limited ("OT HK"), an indirect wholly owned subsidiary of the Company, banking facilities in an aggregate sum of HK$125.2 million which shall be subject to renewal by 15 July 2018. The Facility Letter contains a condition which requires Mr. Lam Chun Chin, Spencer ("Mr. Lam"), to remain as the executive Director. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in an aggregate sum of about HK$125.2 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As of the date of this report, OT HK is in compliance with the Facility Letter.

BIOGRAPHIES OF DIRECTORS

Executive Directors

Mr. Lam Chun Chin, Spencer ("Mr. Lam"), aged 59, is an executive Director, the chief executive officer and the chairman of the Corporate Governance Committee of the Company. He was appointed as a Director on 6 March 2013 and re-designated as an executive Director on 20 December 2013. Mr. Lam is the founder of the Group and he is responsible for overall strategic development, and leading the business development of the Group. Prior to the establishment of the Group in 1995, Mr. Lam had been an assistant route manager from May 1984 to December 1986 and was then promoted as route manager from January 1987 to June 1988, as assistant sales manager from July 1988 to December 1989, as sales manager from January 1990 to December 1990 and as an assistant general manager from January 1991 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. He was mainly responsible for the overall sales strategy as well as sales activities of Freight Express International Ltd. on the east and westbound sector for air freight, sea freight and sea-air traffic worldwide. He has over 34 years of experience in operation and management of freight forwarding and logistics industry. Mr. Lam obtained his diploma in management studies which was jointly awarded by Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) and The Hong Kong Management Association in September 1991. He is also a director of certain subsidiaries of the Company. Mr. Lam is the beneficial owner and the sole director of Golden Strike International Limited, one of the substantial Shareholders.

As of 31 December 2017, Mr. Lam was interested in certain Shares. Please refer to the section headed "Directors' and Chief Executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" for further details.

Mr. Li Xianjun ("Mr. Li"), aged 46, was appointed as an executive Director, the President and a member of the Corporate Governance Committee of the Company on 1 December 2017. Mr. Li obtained a bachelor's degree in economy management from 華東理工商貿學院 (East China Polytechnic Institute of Commerce*) in July 2007. Mr. Li joined YTO Express Group in March 2002 and held various managerial positions in different branch offices. Mr. Li currently also serves as the special assistant to the chairman and supervisor of YTO Express.

Non-executive Directors

Mr. Yu Huijiao ("Mr. Yu"), aged 51, was appointed as a non-executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of Remuneration Committee on 1 December 2017. He obtained a bachelor's degree in information systems application and management from 解放軍信息工程大學 (PLA Information Engineering University*) in December 2013. Mr. Yu founded 圓通速遞有限公司 (Yuantong Express Delivery Co., Ltd.*) (previously known as 上海圓通速遞有限公司), a subsidiary of YTO Express, in May 2000 and currently serves as the chairman of the board and the chief executive officer of YTO Express. Mr. Yu has served as the chairman of the board of Yuantong Jiaolong since December 2010.

As of 31 December 2017, Mr. Yu was interested in certain Shares. Please refer to the section headed "Directors' and Chief Executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" for further details.

Mr. Su Xiufeng ("Mr. Su"), aged 43, was appointed as a non-executive Director on 1 December 2017. He obtained a bachelor's degree in English from 廣東外國語學院 (Guangzhou Institute Foreign Languages*) in June 1995 and a master of business administration degree from the City University (美國城市大學*) in September 2006. Mr. Su joined YTO Express Group in December 2015 and currently serves as the vice president of YTO Express and the chairman of 杭州圓通貨運航空有限公司 (YTO Cargo Airlines Co., Ltd.*). Prior to joining YTO Express Group, Mr. Su served as the chief executive officer of 浙江長龍航空有限公司 (Zhejiang Loong Airlines Co., Ltd*) (previously known as 長龍國際貨運航空有限公司 (CDI Cargo Airlines Co., Ltd*)) from November 2011 to April 2013 and he joined Yuantong Jiaolong in May 2013.

Mr. Zhu Rui ("Mr. Zhu"), aged 34, was appointed as a non-executive Director on 1 December 2017. He obtained a master's degree in law from 華東政法大學 (East China University of Political Science and Law*) in June 2008. Mr. Zhu joined YTO Express Group in October 2015 and currently serves as the vice president and the secretary to the board of YTO Express. Prior to joining YTO Express, Mr. Zhu held various positions, including being an executive director of the investment banking department of Guotai Junan Securities Co. Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 601211) and the Stock Exchange (stock code: 2611).

Mr. Lin Kai ("Mr. Lin"), aged 42, was appointed as a non-executive Director and a member of the Audit Committee on 1 December 2017. He obtained a master's degree in business administration from De La Salle University in December 2003. Mr. Lin joined YTO Express Group in August 2016 and currently serves as the vice president and chief financial officer of YTO Express. Prior to joining YTO Express, Mr. Lin was a partner of 寧波航捷投資合夥企業(有限合夥) (Ningbo Hangjie Investment Partnership (Limited Partnership)*) from January 2016 to August 2016. Between April 2014 and January 2016, Mr. Lin served as the vice president of finance of 上海韻達貨運有限公司 (Shanghai Yunda Freight Co., Ltd*).

BIOGRAPHIES OF DIRECTORS (CONTINUED)

Independent non-executive Directors

Mr. Li Donghui ("Mr. Li"), aged 47, was appointed as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee on 1 December 2017. He obtained a bachelor's degree in philosophy from Renmin University of China in July 1991, a master's degree in management engineering from 北京機械工業學院 (Beijing Institute of Machinery*) in June 1997, and a master's degree in business administration from Kelley School of Business of Indiana University in March 2010. Since Mr. Li has joined the group companies of Geely Automobile Holdings Limited ("Geely"), a company listed on the Main Board of the Stock Exchange (stock code: 0175), in July 2016, he has worked for various positions and currently serves as an executive director and vice chairman of Geely. Prior to joining Geely, Mr. Li served as the vice president and chief financial officer of Guangxi Liugong Machinery Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 000528), between December 2009 and March 2011. Between May 2014 and June 2016, Mr. Li served various positions including as a director and the vice chairman of 北京東方園林環境股份有限公司 (Beijing Orient Landscape & Environment Co., Ltd.*) (previously known as 北京東方園林股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002310). Mr. Li is currently an independent director of 中青旅控股股份有限公司 (China CYTS Holding Co., Ltd.*), a company listed on the Shanghai Stock Exchange (stock code: 600138) and a director of 浙江錢江摩托股份有限公司 (Zhejiang Qianjiang Motorcycle Co. Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 000913).

Mr. Xu Junmin ("Mr. Xu"), aged 53, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee and the Corporate Governance Committee on 1 December 2017. He obtained a bachelor's degree in electromagnetic engineering from 上海科學技術大學 (Shanghai University of Science and Technology*) in July 1987 and a master's degree in business administration from Arizona State University in May 2009. Mr. Xu held various positions in the group companies of 上海利策科技股份有限公司 (Shanghai Richtech Engineering Co., Ltd.*), a company listed on the National Equities Exchange and Quotations (stock code: 832547), and currently serves as an independent director of Shanghai Richtech Engineering Co., Ltd. since July 2016. Mr. Xu held various positions in the group companies of 上海吉祥航空股份有限公司 (Juneyao Airlines Co., Ltd.*) (previously known as 上海吉祥航空有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603885), including a director of 九元航空有限公司 (9 Air Company Limited*) and an executive director and the general manager of 上海吉寧文化傳媒有限公司 (Jining Culture Media Co., Ltd*). He has been serving as the board secretary of Juneyao Airlines Co., Ltd. since November 2010 and a director of Juneyao Airlines Co., Ltd. since July 2017. He has also been serving as an independent director of 上海二三四五網絡控股集團股份有限公司 (Shanghai 2345 Network Holding Group Co. Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 002195) since May 2016.

Mr. Chung Kwok Mo John ("Mr. Chung"), aged 49, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Corporate Governance Committee on 1 December 2017. He obtained a bachelor's degree in economics from Macquarie University in April 1992 and is a member of CPA Australia and Hong Kong Institute of Certified Public Accountants, with over 20 years of experience in auditing, financial management and corporate finance. Mr. Chung was an auditor of an international accounting firm from 1992 to 1999. From 2000, Mr. Chung held several senior management positions, including chief financial officer, executive director and independent non-executive director, in a number of listed companies in Hong Kong. Mr. Chung is presently a vice president of Yongsheng Advanced Materials Company Limited, a company listed on the Stock Exchange (stock code: 3608). Mr. Chung is also currently an independent non-executive director of the following companies listed on the Stock Exchange: (i) BYD Electronic (International) Company Limited (stock code: 285) since June 2013; (ii) Zhengye International Holdings Company Limited (stock code: 3363) since March 2011; and (iii) B & S International Holdings Ltd. (stock code: 1705, a company listed on the Stock Exchange on 14 March 2018) since February 2018.

BIOGRAPHIES OF SENIOR MANAGEMENT

Ms. Wong Pui Wah ("Ms. Wong"), aged 43, is the chief financial officer of the Company and the Company Secretary. She is responsible for overall financial and banking management and overall human resources and administrative management of the Group. Ms. Wong joined the Group in March 2006 and worked as an accounting manager. She became the financial controller of the Group since August 2006. She was an executive Director on 20 December 2013 to 1 December 2017. Prior to joining the Group, Ms. Wong had acquired auditing and accounting experiences by working in various accountancy firms which include Frank Ho & Co., Y.L. Ngan & Company, C.W. Leung & Co. and RSM Nelson Wheeler (currently known as RSM Hong Kong) from June 1998 to March 2006. She has over 19 years of experience in auditing, accounting and financial management. Ms. Wong graduated from Lingnan College (currently known as Lingnan University) with a bachelor's degree in business administration in November 1998. She also obtained a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2010. She is a non-practising member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Wong is also a director of certain subsidiaries of the Company.

BIOGRAPHIES OF SENIOR MANAGEMENT (CONTINUED)

Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch"), aged 53, was appointed as the managing director, USA and Southeast Asia, freight forwarding industry and trade lane of the Company. Mr. Haenisch is responsible for overall sales and leading the business development of the Group and communication with key customers and suppliers. He joined the Group in January 1998 and worked as a director of international sales from January 1998 to February 1998. Mr. Haenisch has been the managing director of the Group since March 1998 and was an executive Director on 20 December 2013 to 1 December 2017. Prior to joining the Group, he had been a marketing executive from May 1994 to July 1995 and was later promoted as sales manager in charge of European traffic from August 1995 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. Mr. Haenisch was mainly responsible for the sales activities of Freight Express International Ltd. He has over 24 years of experience in sales and management of freight forwarding and logistics industry. Mr. Haenisch obtained a master's degree in business administration from University of Osnabrück of Germany in March 1992. He is also a director of certain subsidiaries of the Company.

Ms. Cheung Ching Wa, Camy ("Ms. Cheung"), aged 52, is the managing director, Hong Kong and China, freight forwarding, e-commence transportation and contract logistics business of the Company. She is responsible for overall administration and management and information technology development of the Group. Ms. Cheung joined the Group in November 1997 and worked as an executive secretary from December 1997 to December 2000. She has been the general manager of the Group since January 2001 and was an executive Director on 20 December 2013 to 1 December 2017. Prior to joining the Group, Ms. Cheung has acquired secretarial experiences by working in Nina Ricci (Far East) Ltd., which was then principally engaged in perfume trading, the Hongkong and Shanghai Banking Corporation Limited, Gemex Trading Limited, which was then principally engaged in trading, and Freight Express International Ltd., which was then principally engaged in freight forwarding service from June 1986 to November 1997. She has over 25 years of experience in administration and management of freight forwarding and logistics industry. She completed a course in office management for secretaries and administrative assistants from Centre for Professional and Continuing Education (currently known as College of Professional and Continuing Education) of The Hong Kong Polytechnic University in September 1997. Ms. Cheung graduated from the Bolton Institute of Higher Education (currently known as University of Bolton) of the United Kingdom with a bachelor's degree in business studies in June 2003. She is also a director of certain subsidiaries of the Company.

Mr. Dennis Ronald de Wit ("Mr. D.R. de Wit"), aged 59, the managing director, the Netherlands. He is responsible for overall sales, leading the business development of the Group and communication with key customers and suppliers in the Netherlands, central Europe and the USA. Mr. D.R. de Wit joined the Group in December 2011 as a result of the Group's acquisition of OTX Logistics B.V. and was an executive Director on 20 December 2013 to 1 December 2017. Prior to joining the Group, he had been a director from March 1984 to October 1986 of Allfreight International B.V., which was then principally engaged in freight forwarding services, and was mainly responsible for the overall management. Mr. D.R. de Wit managed Internationaal Expeditiebedrijf Ebrex Air B.V., which was then principally engaged in freight forwarding services, through his management company D.R. de Wit Beheer B.V. from December 1987 to June 1993. He has been a director of OTX Logistics B.V., an indirect non-wholly owned subsidiary of the Company, since May 1999. Mr. D.R. de Wit is also a director of certain subsidiaries of the Company.

Mr. Lau Wai Man ("Mr. Lau"), aged 46, is the air freight director of the Group. He has been with the Group since June 1998. Mr. Lau has been the Group's operations manager from June 1998 to December 2011, where he was responsible for operational matters, and he was promoted to the air freight director of the Group at the end of 2011. He obtained a certificate in air freight forwarding from the Vocational Training Council of Hong Kong in July 1992. He then completed a traineeship as an airfreight operations clerk in September 1993. Mr. Lau also obtained a professional diploma in inventory and logistics management from The Hong Kong Management Association in September 2002, a continuing education diploma in management studies from City University of Hong Kong in July 2010 and a bachelor's degree in logistics from University of Huddersfield of the United Kingdom in November 2012. He is a chartered member of The Chartered Institute of Logistics and Transport since June 2013.

* *For identification purposes only*

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements for the FY2017.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 6 March 2013. The Shares were listed on 11 July 2014 on the Main Board of the Stock Exchange. The Company acts as an investment holding company. The activities of its principal subsidiaries are provision of freight forwarding services. The principal activities of the principal subsidiaries are set out in note 46 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

RESULTS AND DIVIDENDS

The results of the Group for the FY2017 are set out in the consolidated statement of profit or loss on page 43.

Pursuant to the resolution passed by the Directors of the Company at the Board meeting held on 23 October 2017, a special dividend of HK3.94 cents per ordinary Share, absorbing a total amount of about HK$16,322,000, was paid on 3 November 2017 to all Shareholders whose names appeared on the register of members of the Company on 27 October 2017.

The Board recommended the payment of a final dividend of HK2.3 cents (2016: nil) per ordinary Share, absorbing a total amount of about HK$9,528,000 (2016: nil), in respect of the FY2017, which is subject to the approval of the Shareholders at the 2018 AGM to be held on Friday, 8 June 2018. The proposed final dividend is expected to be paid on Wednesday, 18 July 2018 to all Shareholders whose names to be appeared on the register of members of the Company on Wednesday, 27 June 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 126. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes particulars of important events affecting the Group during the year and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "MD&A" in this annual report. In addition, an analysis of the Group's performance using financial key performance indicators is included in the section headed "MD&A" in this annual report and a discussion of the principal risks and uncertainties facing by the Group is included in the section headed "MD&A" and notes 4, 6, 37 and 38 to the consolidated financial statements in this annual report. The review forms part of this Directors' Report.

Environment protection

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

BUSINESS REVIEW (CONTINUED)

Relationships with key stakeholders

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

Employees

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

Customers

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

Vendors

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

Shareholders

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

Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the FY2017.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The decrease in the fair value of the investment properties which has been charged to the consolidated statement of profit or loss and other comprehensive income for the FY2017 amounted to HK$239,000.

The increase in the fair value of the property, plant and equipment which has been charged to the consolidated statement of profit or loss and other comprehensive income for the FY2017 amounted to HK$1,165,000.

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

SHARE CAPITAL

The Company issued new ordinary Shares during the FY2017 upon exercise of share options by a Director and employees of the Group. The reason for the issue of new ordinary Shares is set out in the section headed "Share Option Scheme". Details of share capital are set out in note 33 to the consolidated financial statements.

DEBENTURES IN ISSUE

The Company did not have any debentures in issue for the FY2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the FY2017.

RESERVES

Details of the movements in the reserves of the Group and the Company during the FY2017 are set out in the consolidated statement of changes in equity and note 45 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserve as at 31 December 2017 is set out in the consolidated statement of changes in equity.

DIRECTORS

The Directors during the FY2017 and up to the date of this report were:

Executive Directors:

Mr. Lam Chun Chin, Spencer, Chief Executive Officer
Mr. Li Xianjun, President *(Appointed on 1 December 2017)*
Mr. Hartmut Ludwig Haenisch *(Resigned on 1 December 2017)*
Ms. Cheung Ching Wa, Camy *(Resigned on 1 December 2017)*
Ms. Wong Pui Wah *(Resigned on 1 December 2017)*
Mr. Dennis Ronald de Wit *(Resigned on 1 December 2017)*

Non-executive Directors:

Mr. Yu Huijiao, Chairman *(Appointed on 1 December 2017)*
Mr. Su Xiufeng *(Appointed on 1 December 2017)*
Mr. Zhu Rui *(Appointed on 1 December 2017)*
Mr. Lin Kai *(Appointed on 1 December 2017)*

Independent non-executive Directors:

Mr. Li Donghui *(Appointed on 1 December 2017)*
Mr. Xu Junmin *(Appointed on 1 December 2017)*
Mr. Chung Kwok Mo John *(Appointed on 1 December 2017)*
Mr. Ng Wai Hung *(Resigned on 1 December 2017)*
Mr. Poon Ka Lee, Barry *(Resigned on 1 December 2017)*
Mr. Wong See Ho *(Resigned on 1 December 2017)*

In accordance with the Articles, all existing Directors, namely, Mr. Lam Chun Chin, Spencer, Mr. Li Xianjun, Mr. Yu Huijiao, Mr. Su Xiufeng, Mr. Zhu Rui, Mr. Lin Kai, Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John will retire at the 2018 AGM and all of them, being eligible, offer themselves for re-election at the 2018 AGM.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

(A) Long position in ordinary Shares

Name of Director	Capacity/nature of interest	Number of Shares involved	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	Interest of a controlled corporation *(Note 1)*	41,280,000	9.96%
Mr. Yu Huijiao	Interest of controlled corporations *(Note 2)*	315,711,370	76.21%

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 (Continued)

Notes:

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

2. These Shares are held by YTO Global Holdings Limited, a company wholly owned by Yuan Jun. Yuan Jun is a company wholly owned by YTO Express, which is in turn owned as to 51.11% by Yuantong Jiaolong. Yuantong Jiaolong is a company owned as to 51% by Mr. Yu Huijiao and 49% by his spouse, Ms. Zhang Xiaojuan. By virtue of the SFO, Mr. Yu Huijiao and Ms. Zhang Xiaojuan are deemed to be interested in the Shares held by YTO Global Holdings Limited.

(B) Long position in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares involved/ amount of registered capital	Approximate percentage* of shareholding
Mr. Yu Huijiao	Yuantong Jiaolong	Beneficial owner	RMB260,100,000	51.00%
		Interest of spouse	RMB249,900,000	49.00%
	YTO Express	Interest of controlled corporations	1,579,971,414	55.91%
		Beneficial owner	133,450,083	4.72%
		Interest of spouse	98,127,852	3.47%
	Yuan Jun	Interest of controlled corporations	RMB1,800,000,000	100.00%
	YTO Global Holdings Limited	Interest of controlled corporations	1,600,000,000	100.00%

Note: The relations between Mr. Yu Huijiao and the above associated corporations are set out in note 2 of part (A) of 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". YTO Global Holdings Limited holds more than 50% of the issued share capital of the Company, and Yuantong Jiaolong, YTO Express and Yuan Jun directly/indirectly hold more than 50% of the issued share capital of YTO Global Holdings Limited. In this connection, Yuantong Jiaolong, YTO Express, Yuan Jun and YTO Global Holdings Limited are associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of shares involved divided by the number of the Company's/the Company's associated corporations' issued shares as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the FY2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 44 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the FY2017 or at any time during the FY2017.

PERMITTED INDEMNITY PROVISION

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the FY2017 and as at the date of approval of this Directors' Report, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he/she is involved by reason of being a Director, except in any case where the matter in respect of which indemnification is sought was caused by the fraud or dishonesty of the Directors. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the FY2017, no claims were made against the Directors.

DIRECTORS' SERVICE CONTRACTS

Mr. Lam Chun Chin, Spencer, being executive Director, has entered into a service contract with the Company pursuant to which he agreed to act as an executive Director for a term of three years with effect from 1 December 2017, and will continue thereafter unless terminated pursuant to the service contract, or by giving not less than three months' written notice by either party. Mr. Li Xianjun, being an executive Director, has entered into a service contract with the Company pursuant to which he agreed to act as an executive Director for a term of one year with effect from 1 December 2017 and shall be automatically renewable for successive terms of one year each commencing from the next day after the expiry of the current term unless terminated by not less than three months' notice in writing served by either party. Each of the non-executive Directors and the independent non-executive Directors, has been appointed for a term of one year with effect from 1 December 2017, which shall be automatically renewable for successive terms of one year each commencing from the next day after the expiry of the current term of appointment unless terminated by giving not less than three months' written notice by either party.

None of the Directors proposed for re-election at the 2018 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SHARE OPTION SCHEME

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

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

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the "General Scheme Limit"). As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 38,534,000 Shares, representing about 9.30% of the issued share capital of the Company. The Company may renew the General Scheme Limit with Shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders' approval.

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

SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

Details of movements of the share options granted under the Share Option Scheme for the FY2017 are as follows:

				Number of share options						
Name or category of grantees	Date of grant *(Note 1)*	Exercise period	Exercise price per Share *HK$*	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year *(Note 2)*	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2017	Closing price immediately before the date of grant *HK$*
Director										
Ms. Wong Pui Wah	26 January 2015	26 January 2017 – 25 January 2019	1.65	598,000	–	(400,000)	–	(198,000)	–	1.65
Sub-total				**598,000**	**–**	**(400,000)**	**–**	**(198,000)**	**–**	
Employees	26 January 2015	26 January 2017 – 25 January 2019	1.65	2,184,000	–	(1,066,000)	–	(1,118,000)	–	1.65
Sub-total				**2,184,000**	**–**	**(1,066,000)**	**–**	**(1,118,000)**	**–**	
Total				**2,782,000**	**–**	**(1,466,000)**	**–**	**(1,316,000)**	**–**	

Notes:

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

2. The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$3.64 per Share.

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

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 39 to the consolidated financial statements.

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

As at 31 December 2017, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary Shares

Name of Shareholder	Capacity/nature of interest	Number of Shares involved	Percentage* of the Company's issued share capital
Lam Investco *(Note 1)*	Beneficial owner	41,280,000	9.96%
Ms. Li Wai Fun *(Note 1)*	Interest of spouse	41,280,000	9.96%
YTO Global Holdings Limited *(Note 2)*	Beneficial owner	315,711,370	76.21%
YTO Express *(Note 2)*	Interest of controlled corporations	315,711,370	76.21%
Yuantong Jiaolong *(Note 2)*	Interest of controlled corporations	315,711,370	76.21%
Ms. Zhang Xiaojuan *(Note 2)*	Interest of controlled corporations	315,711,370	76.21%

Notes:

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

2. These interests are also disclosed as the interest of Mr. Yu Huijiao 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".

* The percentage represents the number of Shares involved divided by the number of the issued Shares as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 44 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions

During the FY2017, the Group has conducted the following continuing connected transactions which were required to be disclosed pursuant to Appendix 16 to the Listing Rules:

Management Agreement with a former executive Director and his controlled company

On 30 December 2016, OTX Logistics B.V. ("OTX Logistics Holland"), an indirect non-wholly owned subsidiary of the Company and (i) D.R. de Wit Beheer B.V., a company wholly owned by Mr. D.R. de Wit, a substantial shareholder of a subsidiary of the Company and a former executive Director resigned on 1 December 2017; and (ii) Mr. D.R. de Wit, entered into a management agreement (the "Management Agreement") for the provision of management services for a term commencing on 1 January 2017 and expiring on 31 December 2019. Pursuant to the Management Agreement, D.R. de Wit Beheer B.V. has been appointed as the contractor for OTX Logistics Holland for the performance of activities of a director and such services shall be provided by Mr. D.R. de Wit. The Group shall pay Mr. D.R. de Wit a fee of EUR14,658 per month, a holiday allowance equivalent to 8% of his monthly fee and a guaranteed year-end bonus of an amount equivalent to his monthly fee. In addition, Mr. D.R. de Wit is entitled to a minimum of 5% of annual pre-tax profits of OTX Logistics Holland, Westpoort Recon B.V., OTX Logistics Rotterdam B.V., OTX Solutions B.V. and Fashion Care Logistics B.V. ("OTX Logistics Holland Group"). Mr. D.R. de Wit is also entitled to, among others, the usage of a company car, reimbursement of out-of-pocket expenses and claim expenses for his health-insurance policy and contribution to pension plan. For the FY2017, the total amount paid by the Group to Mr. D.R. de Wit under the Management Agreement was EUR352,000 (equivalent to about HK$3.1 million) (2016: EUR275,000 (equivalent to about HK$2.4 million)).

Master Agency Agreement with OTX Logistics Holland Group

OTX Logistics Holland, is owned as to 25% by T.Y.D. Holding B.V., which is controlled by Mr. D.R. de Wit. On 30 December 2016, On Time Worldwide Logistics Limited ("OT BVI") (for itself and on behalf of the Company's subsidiaries and associated companies excluding the OTX Logistics Holland Group ("OT BVI Members")), a direct wholly owned subsidiary of the Company, entered into a master agency agreement (the "Master Agency Agreement") with OTX Logistics Holland Group where OT BVI Members have agreed to appoint OTX Logistics Holland Group as their agents in the Netherlands and OTX Logistics Holland Group has agreed to appoint OT BVI Members as their agents for the rest of the world (other than the Netherlands), for the promotion of transportation and logistics business for a term commencing from 1 January 2017 and expiring on 31 December 2019. Pursuant to the Master Agency Agreement, OTX Logistics Holland Group and OT BVI Members agreed to share profits (or loss, if applicable) from operations attributable to the transactions under the Master Agency Agreement on the basis of a 50/50 split based on sums invoiced and received for each shipment after deduction of expenses including break bulk fees, delivery charges, free on board operations charges at the place of origin and customs clearance or brokerage charges at the place of destination.

As disclosed in the Company's announcement dated 30 December 2016, the annual cap of profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OT BVI Members to OTX Logistics Holland Group for the FY2017 is HK$6,618,000; and the annual cap of profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OTX Logistics Holland Group to OT BVI Members for the FY2017 is HK$657,000. As disclosed in the Company's announcement dated 13 December 2017, the Company revised the annual cap of the profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OT BVI Members to OTX Logistics Holland Group to HK$11.1 million for the FY2017; and the annual cap of the profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OTX Logistics Holland Group to OT BVI Members to HK$1.3 million for the FY2017. As disclosed in the Company's announcement dated 2 March 2018, the Company further revised the annual cap of the profits from operations attributable to the transactions under the Master Agency Agreement to be shared by OTX Logistics Holland Group to OT BVI Members to HK$1.6 million for the FY2017.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Master Agency Agreement with OTX Logistics Holland Group (Continued)

For the FY2017, the profits from operations attributable to the transactions under the Master Agency Agreement in the amount of HK$10.0 million was shared by OT BVI Members to OTX Logistics Holland Group and the profits from operations attributable to the transactions under the Master Agency Agreement in the amount of about HK$1.5 million was shared by OTX Logistics Holland Group to OT BVI Members.

The Company confirms that it has followed the policies and guidelines as set out in the Stock Exchange's Guidance Letter HKEx-GL73-14 when determining the price and terms of the Management Agreement and the Master Agency Agreement conducted during the FY2017.

Non-exempted continuing connected transactions

OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements

During the FY2017, the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements (as defined below) constitute non-exempted continuing connected transactions of the Company under the Listing Rules.

OT Thailand Contractual Arrangements

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

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

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

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

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

OT Thailand contributed to about 1.4% of the Group's total revenue for the FY2017 (FY2016: 1.4%). Through the OT Thailand Contractual Arrangements, the financial results of OT Thailand were consolidated into the Group's financial statements as if it was the Company's subsidiary and, as a result, the Group bears 82.5% of the economic risks and losses of OT Thailand.

A dividend in an amount of THB13,500,000 ("OT Thailand Dividend") for the FY2017 was made by OT Thailand to its shareholders, in which 82.5% of the OT Thailand Dividend was paid to OT BVI.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

OT Vietnam Contractual Arrangements

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

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

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

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

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

OT Vietnam contributed to about 2.7% of the Group's total revenue for the FY2017 (FY2016: 2.3%). Through the operation of the OT Vietnam Contractual Arrangement, the financial results of OT Vietnam were consolidated into the Group's financial statements as if it was the Company's indirect wholly-owned subsidiary and, as a result, the Group bears 100% of the economic risks and losses of OT Vietnam.

A dividend in an amount of VND5,793,344,501 ("OT Vietnam Dividend") for the FY2017 was made by OT Vietnam to its shareholders, in which the entire OT Vietnam Dividend was paid to OT HK.

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

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Confirmation of auditor of the Company

Deloitte Touche Tohmatsu, the Company's auditor, were engaged to report on the Group's non-exempted continuing connected transactions in accordance with Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the Management Agreement, the Master Agency Agreement, the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements in respect of the FY2017 in accordance with Rule 14A.56 of the Listing Rules.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Management Agreement and the Master Agency Agreement in respect of the FY2017 and confirmed that these transactions have been entered into:

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

(2) on normal commercial terms or better; and

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

Furthermore, in relation to the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements in respect of the FY2017, the independent non-executive Directors have confirmed that the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements have remained unchanged and consistent with the disclosure as set out in the Prospectus; and both of the said arrangements are fair and reasonable so far as the Group is concerned and in the interests of the Shareholders as a whole.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and the transactions as disclosed in note 44 to the consolidated financial statements, no controlling Shareholder or any of its subsidiaries has any contract of significance with the Company or its subsidiaries during the FY2017.

MANAGEMENT CONTRACTS

Save as disclosed in the Prospectus and the section headed "Continuing connected transactions', no contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the FY2017.

DEED OF NON-COMPETITION

The Company has received the written confirmation from Mr. Lam Chun Chin, Spencer, Mr. Hartmut Ludwig Haenisch, Lam Investco and Haenisch Investco (collectively, the "Controlling Shareholders") in respect of the compliance with the provisions of the deed of non-competition (the "Deed of Non-competition"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" of the Prospectus from 1 January 2017 and up to date immediately before each of them ceased to be a controlling Shareholder (as defined under the Listing Rules).

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms from 1 January 2017 and up to date immediately before each of them ceased to be a controlling Shareholder (as defined under the Listing Rules).

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During 1 December 2017 and up to the date of this report, the following Director was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business"), as defined in the Listing Rules, details of which are set out below:

Name of Director	Mr. Yu Huijiao, non-executive Director of the Company, who is also a substantial shareholder of YTO Express
Nature and scope of the Competing Business	YTO Express Group is principally engaged in the warehousing and distribution of goods as a leader in the express and courier service market in the PRC
Size of the Competing Business	YTO Express is a company listed on the Shanghai Stock Exchange (stock code: 600233), with market capitalization amounted to RMB41.1 billion as at 31 December 2017
Management of the Competing Business	The positions held by the Directors in YTO Express are as follows: Mr. Yu Huijiao, *chairman of the board and chief executive officer* Mr. Li Xianjun, *supervisor* Mr. Xu Siufeng, *vice president* Mr. Zhu Rui, *vice president and secretary to the board* Mr. Lin Kai, *vice president and chief financial officer*

For the FY2017, since YTO Express Group's main focus was warehousing and distribution of goods through express and courier service in the PRC and apart from intra-group freight forwarding services among YTO Express Group members, YTO Express Group did not carry out any freight forwarding services to and/or business with external parties, the Directors considered that the operations of YTO Express Group did not affect the Group's business.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Shares during the FY2017.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017. As at the date of this annual report, the Group was not involved in any current material legal proceeding, nor was the Group aware of any pending or potential material legal proceedings involving the Group. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

USE OF PROCEEDS

Since the publication of the Company's announcement on 5 May 2017 in relation to the change of use of net proceeds from the Company's initial public offering of about HK$37 million and up to the date of this report, about HK$30 million has been used for the acquisitions of Best Loader HK and Best Loader Shanghai and about HK$7 million has been used for general working capital and general corporate purposes.

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2017, less than 30% of the Group's revenue and cost of sales were attributable to the Group's five largest customers and suppliers, respectively.

REMUNERATION POLICY

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5 June 2018 to Friday, 8 June 2018 (both days inclusive) for the purpose of determining the right to attend and vote at the 2018 AGM. In order to be qualified for attending and voting at the 2018 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 4 June 2018.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2018 AGM, the register of members of the Company will also be closed from Monday, 25 June 2018 to Wednesday, 27 June 2018 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the FY2017. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the 2018 AGM), unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 22 June 2018.

CHARITABLE CONTRIBUTIONS

During the FY2017, the Group made charitable contributions in an aggregate amount of about HK$126,000 (FY2016: about HK$141,000).

EVENTS AFTER THE REPORTING PERIOD

On 9 March 2018, Jumbo Channel Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "SPA") with T.Y.D. Holding B.V., pursuant to which T.Y.D. Holding B.V. has conditionally agreed to sell, and Jumbo Channel Limited has conditionally agreed to purchase, 21,575 ordinary shares of €1 each (the "Target Shares") in OTX Logistics Holland, at the consideration of HK$38,000,000, subject to and in accordance with the terms and conditions of the SPA.

As at the date of this report, OTX Logistics Holland is an indirect non wholly-owned subsidiary of the Company, held as to 75% by Jumbo Channel Limited and 25% by T.Y.D. Holding B.V. Immediately after completion of the sale and purchase of the Target Shares in accordance with the terms and conditions of the SPA, OTX Logistics Holland will become an indirect wholly-owned subsidiary of the Company.

Please refer to the announcement of the Company dated 9 March 2018 for further details.

CHANGE OF COMPANY NAME

As announced by the Company on 14 February 2018, the special resolution approving the change of English name of the Company from "On Time Logistics Holdings Limited" to "YTO Express (International) Holdings Limited" and the dual foreign name of the Company in Chinese "圓通速遞(國際)控股有限公司" be adopted to replace its existing dual foreign name in Chinese "先達國際物流控股有限公司" (the "Special Resolution") was passed by the Shareholders at the extraordinary general meeting of the Company held on 14 February 2018.

Subsequent to the passing of the Special Resolution, the Certificate of Incorporation on Change of Name was issued by the Registry of Companies in the Cayman Islands on 28 February 2018 regarding the change of English name of the Company from "On Time Logistics Holdings Limited" to "YTO Express (International) Holdings Limited" and the dual foreign name of the Company in Chinese from "先達國際物流控股有限公司" to "圓通速遞(國際)控股有限公司".

Please refer to the announcement of the Company dated 21 March 2018 for further details.

AUDITOR

A resolution will be submitted to the 2018 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Yu Huijiao
Chairman

Hong Kong, 22 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules on the Stock Exchange during the FY2017.

The Board considers that during the FY2017, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board as at 31 December 2017 is as follows:

Executive Directors:

Mr. Lam Chun Chin, Spencer	*(Chief Executive Officer and Chairman of the Corporate Governance Committee)*
Mr. Li Xianjun	*(President and Member of the Corporate Governance Committee)*

Non-executive Directors:

Mr. Yu Huijiao	*(Chairman of the Board, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Mr. Su Xiufeng	
Mr. Zhu Rui	
Mr. Lin Kai	*(Member of the Audit Committee)*

Independent non-executive Directors:

Mr. Li Donghui	*(Member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee)*
Mr. Xu Junmin	*(Chairman of the Remuneration Committee and Member of the Nomination Committee and the Corporate Governance Committee)*
Mr. Chung Kwok Mo John	*(Chairman of the Audit Committee and Member of the Remuneration Committee and the Corporate Governance Committee)*

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A2. Board Composition (Continued)

Throughout the FY2017, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

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

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

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

A3. Chairman and Chief Executive

Mr. Yu Huijiao (a non-executive Director) has been appointed as the chairman of the Board, in place of Mr. Lam Chun Chin, Spencer (an executive Director and the chief executive officer of the Company) with effect from 1 December 2017. After the said change, the Company has complied with code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, Mr. Lam Chun Chin, Spencer remains as the chief executive officer of the Company to focus on the Company's business development and daily management and operations generally, while Mr. Yu Huijiao providing leadership and being responsible for the effective functioning and leadership of the Board.

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term. Mr. Lam Chun Chin, Spencer (an executive Director) is engaged on a service contract for a term of three years, and will continue thereafter unless terminated by not less than three months' notice in writing served by either the Company or himself. Mr. Li Xianjun (an executive Director) is engaged on a service contract for a term of one year and shall be automatically renewable for successive terms of one year each commencing from the next day after the expiry of the current term unless terminated by not less than three months' notice in writing served by either the Company or himself.

Each of the non-executive Directors and the independent non-executive Directors is appointed for a term of one year and shall be automatically renewable for successive terms of one year each commencing from the next day after the expiry of the current term unless terminated by not less than three months' notice in writing served by either the Company or the Director.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

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

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

At the 2018 AGM, all the existing Directors (namely Mr. Lam Chun Chin, Spencer, Mr. Li Xianjun, Mr. Yu Huijiao, Mr. Su Xiufeng, Mr. Zhu Rui, Mr. Lin Kai, Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John) shall retire by rotation pursuant to the Articles. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2018 AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this report, contains detailed information of the said Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

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

Under code provision A.6.5, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. During the FY2017, all the Directors were provided with reading materials or regulatory update on corporate governance matters and responsibilities of the Directors for their reference and perusal. Besides, Mr. Lam Chun Chin, Spencer, Mr. Li Xianjun, Mr. Yu Huijiao, Mr. Su Xiufeng, Mr. Zhu Rui, Mr. Lin Kai, Mr. Li Donghui, Mr. Xu Junmin, Mr. Chung Kwok Mo John, Ms. Cheung Ching Wa, Camy, Ms. Wong Pui Wah, Mr. Ng Wai Hung, Mr. Poon Ka Lee, Barry and Mr. Wong See Ho attended other seminars and training sessions arranged by other professional firms/institutions.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the FY2017 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Corporate Governance Committee**	**Annual General Meeting**
Executive Directors:						
Mr. Lam Chun Chin, Spencer	5/5	N/A	1/1	1/1	0/0	1/1
Mr. Li Xianjun	0/0	N/A	N/A	N/A	0/0	N/A
Mr. Hartmut Ludwig Haenisch	5/5	N/A	N/A	N/A	N/A	0/1
Ms. Cheung Ching Wa, Camy	5/5	N/A	N/A	N/A	N/A	0/1
Ms. Wong Pui Wah	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Dennis Ronald de Wit	4/5	N/A	N/A	N/A	N/A	0/1
Non-executive Directors:						
Mr. Yu Huijiao	0/0	N/A	0/0	0/0	N/A	N/A
Mr. Su Xiufeng	0/0	N/A	N/A	N/A	N/A	N/A
Mr. Zhu Rui	0/0	N/A	N/A	N/A	N/A	N/A
Mr. Lin Kai	0/0	0/0	N/A	N/A	N/A	N/A
Independent non-executive Directors:						
Mr. Li Donghui	0/0	0/0	N/A	0/0	0/0	N/A
Mr. Xu Junmin	0/0	N/A	0/0	0/0	0/0	N/A
Mr. Chung Kwok Mo John	0/0	0/0	0/0	N/A	0/0	N/A
Mr. Ng Wai Hung	5/5	3/3	1/1	1/1	0/1	1/1
Mr. Poon Ka Lee, Barry	5/5	3/3	1/1	1/1	1/1	1/1
Mr. Wong See Ho	3/5	3/3	N/A	N/A	N/A	0/1

Notes:

(1) With effect from 1 December 2017:

(a) Mr. Lam Chun Chin, Spencer has resigned as the chairman of the Board, the chairman and a member of the Nomination Committee and a member of the Remuneration Committee but remains as an executive Director, and he also has been appointed as the chairman and a member of the Corporate Governance Committee;

(b) Mr. Li Xianjun has been appointed as an executive Director and a member of the Corporate Governance Committee;

(c) Mr. Hartmut Ludwig Haenisch has resigned as an executive Director;

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

A. THE BOARD (CONTINUED)

A6. Directors' Attendance Records at Meetings (Continued)

Notes: (Continued)

(d) Ms. Cheung Ching Wa, Camy has resigned as an executive Director;

(e) Ms. Wong Pui Wah has resigned as an executive Director, the chairlady and a member of the Corporate Governance Committee;

(f) Mr. Dennis Ronald de Wit has resigned as an executive Director;

(g) Mr. Yu Huijiao has been appointed as a non-executive Director, the chairman of the Board, the chairman and a member of the Nomination Committee and a member of the Remuneration Committee;

(h) Each of Mr. Su Xiufeng and Mr. Zhu Rui has been appointed as a non-executive Director;

(i) Mr. Lin Kai has been appointed as a non-executive Director and a member of the Audit Committee;

(j) Mr. Li Donghui has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Corporate Governance Committee;

(k) Mr. Xu Junmin has been appointed as an independent non-executive Director, the chairman and a member of the Remuneration Committee and a member of each of the Nomination Committee and the Corporate Governance Committee;

(l) Mr. Chung Kwok Mo John has been appointed as an independent non-executive Director, the chairman and a member of the Audit Committee and a member of each of the Remuneration Committee and the Corporate Governance Committee;

(m) Mr. Ng Wai Hung has resigned as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee;

(n) Mr. Poon Ka Lee, Barry has resigned as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Corporate Governance Committee and the chairman and a member of the Remuneration Committee; and

(o) Mr. Wong See Ho has resigned as an independent non-executive Director and the chairman and a member of the Audit Committee.

(2) There were five Board meetings, three Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting, one Corporate Governance Committee meeting and one general meeting held before 1 December 2017 and there were no such meetings held on or after 1 December 2017.

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the FY2017.

A7. Model Code for Securities Transactions

The Company has devised its own code of conduct regarding Directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the required standard as set out in the Model Code. Each Director has been given a copy of the Securities Dealing Code. Specific enquiry has been made of all Directors and they have confirmed their compliance with the Securities Dealing Code throughout the FY2017. In addition, no incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES

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

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

B1. Executive Committee

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

B2. Remuneration Committee

The members of the Remuneration Committee during the FY2017 were as follows:

Executive Director:

Mr. Lam Chun Chin, Spencer	*(Resigned as a member on 1 December 2017)*

Non-executive Director:

Mr. Yu Huijiao	*(Appointed as a member on 1 December 2017)*

Independent non-executive Directors:

Mr. Xu Junmin	*(Appointed as the chairman and a member on 1 December 2017)*
Mr. Chung Kwok Mo John	*(Appointed as a member on 1 December 2017)*
Mr. Ng Wai Hung	*(Resigned as a member on 1 December 2017)*
Mr. Poon Ka Lee, Barry	*(Resigned as the chairman and a member on 1 December 2017)*

Throughout the FY2017, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

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

During the FY2017, the Remuneration Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above). The Remuneration Committee performed the following major works during the year:

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B2. Remuneration Committee (Continued)

- General review and discussion of the remuneration packages, policy and structure of the directors and the senior staff of the Group, and recommendation to the Board;

- Consideration of and recommendation to the Board on the remuneration packages for the directors newly appointed/re-designated during the year.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the FY2017 is set out below:

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

Details of the remuneration of each Director for the FY2017 are set out in note 12 to the consolidated financial statements contained in this report.

B3. Nomination Committee

The members of the Nomination Committee during the FY2017 were as follows:

Executive Director:

Mr. Lam Chun Chin, Spencer *(Resigned as the chairman and a member on 1 December 2017)*

Non-executive Director:

Mr. Yu Huijiao *(Appointed as the chairman and a member on 1 December 2017)*

Independent non-executive Directors:

Mr. Li Donghui *(Appointed as a member on 1 December 2017)*
Mr. Xu Junmin *(Appointed as a member on 1 December 2017)*
Mr. Ng Wai Hung *(Resigned as a member on 1 December 2017)*
Mr. Poon Ka Lee, Barry *(Resigned as a member on 1 December 2017)*

Throughout the FY2017, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by the Chairman of the Board.

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B3. Nomination Committee (Continued)

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

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

During the FY2017, the Nomination Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above). The Nomination Committee performed the following major works during the year:

– Review of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Consideration of and recommendation to the Board on the re-election of the retiring Directors at the Company's AGM held on 13 June 2017;

– Assessment of the independence of the then three independent non-executive Directors; and

– Consideration of and recommendation to the Board on the changes in compositions of the Board and Board committees during the year.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained during the FY2017. Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy for the FY2017.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B4. Audit Committee

The members of the Audit Committee during the FY2017 were as follows:

Non-executive Director:

Mr. Lin Kai	*(Appointed as a member on 1 December 2017)*

Independent non-executive Directors:

Mr. Li Donghui	*(Appointed as a member on 1 December 2017)*
Mr. Chung Kwok Mo John	*(Appointed as the chairman and a member on 1 December 2017)*
Mr. Ng Wai Hung	*(Resigned as a member on 1 December 2017)*
Mr. Poon Ka Lee, Barry	*(Resigned as a member on 1 December 2017)*
Mr. Wong See Ho	*(Resigned as the chairman and a member on 1 December 2017)*

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the FY2017. The majority of the Audit Committee members are independent non-executive directors. Mr. Chung Kwok Mo John possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

During the FY2017, the Audit Committee has held three meetings (the attendance records of each Committee member are set out in section A6 above). The Audit Committee performed the following major works during the year:

- Reviewed and discussed the annual financial statements, results announcement and annual report for the FY2017, the relevant audit findings of the Company's external auditor; and the recommendation of the re-appointment of the external auditor;

- Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2017 and the relevant review findings of the Company's external auditor;

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

- Reviewed the Group's continuing connected transactions for the FY2016 as well as the FY2017 and the revision of annual caps of the continuing connected transactions;

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

- Reviewed and approved the audit plan of the Company's external auditor, including the nature and scope of audit, remuneration and terms of engagement in respect of the audit on the financial statements for the FY2017; and

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

B. BOARD COMMITTEES (CONTINUED)

B4. Audit Committee (Continued)

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

B5. Corporate Governance Committee

The members of the Corporate Governance Committee during the FY2017 were as follows:

Executive Directors:

Mr. Lam Chun Chin, Spencer	*(Appointed as the chairman and a member on 1 December 2017)*
Mr. Li Xianjun	*(Appointed as a member on 1 December 2017)*
Ms. Wong Pui Wah	*(Resigned as the chairlady and a member on 1 December 2017)*

Independent non-executive Directors:

Mr. Li Donghui	*(Appointed as a member on 1 December 2017)*
Mr. Xu Junmin	*(Appointed as a member on 1 December 2017)*
Mr. Chung Kwok Mo John	*(Appointed as a member on 1 December 2017)*
Mr. Ng Wai Hung	*(Resigned as a member on 1 December 2017)*
Mr. Poon Ka Lee, Barry	*(Resigned as a member on 1 December 2017)*

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

During the FY2017, the Corporate Governance Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above). The Corporate Governance Committee performed the following major works during the year:

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

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

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

– Reviewed the compliance of the Securities Dealing Code;

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

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

– Reviewed the effectiveness of the shareholders' communication policy.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

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

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the FY2017.

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

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

D. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Management, in coordination with department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress. Management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the FY2017.

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

During the FY2017, the Board, as supported by the Audit Committee as well as the report from management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

E. COMPANY SECRETARY

The Company Secretary is Ms. Wong Pui Wah, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Ms. Wong Pui Wah are set out in the section headed "Biographies of Directors and Senior Management" of this report. During the FY2017, Ms. Wong has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the FY2017 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to Deloitte Touche Tohmatsu, the Company's auditor, in respect of audit services and non-audit services for the FY2017 are analysed below:

Type of services provided by the external auditor	**Fees paid/payable** *HK$*
Audit services – audit fee for the FY2017	980,000
Non-audit services	
– review of interim results for the six months ended 30 June 2017	420,000
– review of continuing connected transactions for the FY2017	87,500
– review of annual results announcement for the FY2017	28,500
TOTAL:	1,516,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The Company maintains a website at www.ytoglobal.com (effective from 10 April 2018) as a communication platform with its Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors of the Company may send written enquiries or requests to the Company via the following contact details:

Attention: Company Secretary

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

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

Tel: (852) 2998 4626

Fax: (852) 3586 7681

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

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

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company "www.ytoglobal.com" (effective from 10 April 2018) and the Stock Exchange after each Shareholders' meeting.

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

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

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

I. CONSTITUTIONAL DOCUMENTS

During the FY2017, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of Shareholders.

J. DEED OF NON-COMPETITION

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

Deloitte. 德勤

TO THE SHAREHOLDERS OF YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED
圓通速遞(國際)控股有限公司
(formerly known as On Time Logistics Holdings Limited 先達國際物流控股有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of YTO Express (International) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 125, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and unbilled trade receivables We identified the impairment assessment of trade receivables as a key audit matter due to the significant judgements involved in management's assessment of the recoverability of trade receivables and unbilled trade receivables. As disclosed in notes 4 and 22 to the consolidated financial statements, for the purposes of impairment assessment, management has taken into consideration the overdue balances, previous history, value of assets pledged as collateral and ageing of trade receivables and unbilled trade receivables. As at 31 December 2017, the carrying amounts of trade receivables and unbilled trade receivables were HK$684,132,000 (net of allowance for doubtful debts of HK$10,242,000) and HK$69,769,000 respectively.	Our procedures in relation to the impairment assessment of trade receivables and unbilled trade receivables included: • Understanding management's process for assessing the recoverability of trade receivables and unbilled trade receivables; • Assessing, on a sample basis, the reasonableness of the recoverability with reference to the payment history, ageing analysis and subsequent settlements of trade receivables and unbilled trade receivables as well as the value of collateral held by the Group; and • Assessing the accuracy of the ageing analysis of trade receivables and unbilled trade receivables, on a sample basis, by comparing to supporting documents.
Impairment assessment of goodwill We identified the impairment assessment of goodwill as a key audit matter due to the significant judgements involved in management's assessment. As described in notes 4 and 17 to the consolidated financial statements, as at 31 December 2017, goodwill that arose from the acquisitions was HK$36,453,000. For the purposes of goodwill impairment assessment, cash flow projections of each cash-generating unit to which goodwill has been allocated were used by management. The cash flow projections were based on recent financial budgets covering a 5-year period and applied growth rates and a discount rate.	Our procedures in relation to the impairment assessment of goodwill included: • Evaluating the methodology adopted by management in the impairment assessment; • Evaluating the reasonableness of cash flow projections to supporting evidence, such as approved budget, past performance as well as our understanding of the business; and • Evaluating the reasonableness of the underlying assumptions within the cash flow projections such as growth rates and discount rate by comparing them to historical results and market data, respectively.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Kuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	3,670,514	2,867,339
Cost of sales		(3,098,754)	(2,375,321)
Gross profit		571,760	492,018
Other income	7	9,962	6,346
Administrative expenses		(475,810)	(480,991)
Other gains or losses	8	20,944	5,320
Share of profit of associates		307	353
Share of profit (loss) of joint ventures		1,076	(3,683)
Finance costs	9	(4,729)	(3,327)
Profit before taxation		123,510	16,036
Income tax expense	10	(22,525)	(9,733)
Profit for the year	11	100,985	6,303
Profit for the year attributable to:			
Owners of the Company		97,501	4,967
Non-controlling interests		3,484	1,336
		100,985	6,303
Earnings per share (Hong Kong cents)			
Basic	14	23.56	1.20
Diluted		23.51	1.20

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Profit for the year		100,985	6,303
Other comprehensive income (expense), net of income tax:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation increase (decrease) on leasehold land and buildings		1,165	(110)
Deferred tax arising on revaluation of leasehold land and buildings	32	(156)	155
Items that may be reclassified to profit or loss			
Net change in fair value of available-for-sale investment		–	(581)
Provision of impairment loss on available-for-sale investment		–	581
Share of other comprehensive income (expense) of associates		293	(1)
Share of other comprehensive income (expense) of joint ventures		727	(212)
Exchange difference arising from foreign operations		10,390	(9,767)
Reclassification adjustment upon disposal of subsidiaries		202	–
Other comprehensive income (expense) for the year		12,621	(9,935)
Total comprehensive income (expense) for the year		113,606	(3,632)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		105,850	(3,606)
Non-controlling interests		7,756	(26)
		113,606	(3,632)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	**2017** *HK$'000*	**2016** *HK$'000*
Non-current assets			
Investment properties	*15*	7,531	7,249
Property, plant and equipment	*16*	49,203	48,584
Goodwill	*17*	36,453	13,770
Intangible assets	*18*	22,172	17,654
Interests in associates	*19*	15,257	1,190
Interests in joint ventures	*20*	6,254	4,386
Available-for-sale investments	*21*	–	16,237
Deferred tax assets	*32*	90	163
		136,960	109,233
Current assets			
Trade receivables	*22*	684,132	496,150
Other receivables, deposits and prepayments	*22*	138,252	79,421
Held for trading investment	*23*	1,017	995
Amount due from immediate holding company	*24*	1,245	–
Amounts due from joint ventures	*26*	5,674	14,602
Amounts due from associates	*25*	11,584	10,523
Amounts due from related companies	*27*	–	6
Loan to a joint venture	*26*	–	3,414
Loan to an associate	*25*	500	500
Prepaid tax		1,310	3,431
Pledged bank deposits	*28*	8,472	10,747
Bank balances and cash	*28*	248,201	211,207
		1,100,387	830,996
Current liabilities			
Trade and other payables	*29*	473,900	309,685
Amounts due to associates	*25*	1,723	270
Tax liabilities		10,090	5,491
Obligations under finance leases – due within one year	*30*	357	498
Bank borrowings	*31*	179,770	145,400
		665,840	461,344
Net current assets		434,547	369,652
Total assets less current liabilities		571,507	478,885

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Trade and other payables – due after one year	29	3,153	3,021
Obligations under finance leases – due after one year	30	291	294
Deferred tax liabilities	32	14,324	12,930
		17,768	16,245
		553,739	462,640
Capital and reserves			
Share capital	33	41,427	41,280
Reserves		485,571	393,659
Net assets attributable to owners of the Company		526,998	434,939
Non-controlling interests	34	26,741	27,701
Total equity		553,739	462,640

The consolidated financial statements on pages 43 to 125 were approved and authorised for issue by the Board of Directors on 22 March 2018 and are signed on its behalf by:

Mr. Lam Chun Chin, Spencer
DIRECTOR

Mr. Li Xianjun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special reserve HK$'000 (Note a)	Share options reserve HK$'000	Other reserve HK$'000 (Note c)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000 (Note b)	Property revaluation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	41,457	419,898	(5)	(295,411)	524	(705)	–	(19,841)	7,856	10,314	282,104	446,191	29,300	475,491
Profit for the year	–	–	–	–	–	–	–	–	–	–	4,967	4,967	1,336	6,303
Revaluation decrease on leasehold land and buildings	–	–	–	–	–	–	–	–	–	(110)	–	(110)	–	(110)
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	–	–	155	–	155	–	155
Share of other comprehensive income of associates	–	–	–	–	–	–	–	(1)	–	–	–	(1)	–	(1)
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	(212)	–	–	–	(212)	–	(212)
Exchange difference arising from foreign operations	–	–	–	–	–	–	–	(8,405)	–	–	–	(8,405)	(1,362)	(9,767)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(8,618)	–	45	4,967	(3,606)	(26)	(3,632)
Repurchase and cancellation of ordinary shares	(177)	–	–	–	–	–	–	–	–	–	–	(177)	–	(177)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(1,850)	–	–	–	–	–	–	–	–	–	(1,850)	–	(1,850)
Recognition of equity-settled share-based payment	–	–	–	–	585	–	–	–	–	–	–	585	–	585
Acquisition of additional interest in a subsidiary from a non-controlling shareholder *(note d)*	–	–	(838)	–	–	–	–	–	–	–	–	(838)	(1,115)	(1,953)
Dividends paid to shareholders *(note 13)*	–	–	–	–	–	–	–	–	–	–	(5,366)	(5,366)	–	(5,366)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(458)	(458)
Lapse of equity-settled share-based payment	–	–	–	–	(19)	–	–	–	–	–	19	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	1,684	–	(1,684)	–	–	–
Fair value loss on available-for-sale investment	–	–	–	–	–	–	(581)	–	–	–	–	(581)	–	(581)
Recognition of impairment loss on available-for-sale investment to profit or loss	–	–	–	–	–	–	581	–	–	–	–	581	–	581
At 31 December 2016	41,280	418,048	(843)	(295,411)	1,090	(705)	–	(28,459)	9,540	10,359	280,040	434,939	27,701	462,640

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Special reserve *HK$'000* *(Note a)*	Share options reserve *HK$'000*	Other reserve *HK$'000* *(Note c)*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note b)*	Property revaluation reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2017	41,280	418,048	(843)	(295,411)	1,090	(705)	–	(28,459)	9,540	10,359	280,040	434,939	27,701	462,640
Profit for the year	–	–	–	–	–	–	–	–	–	–	97,501	97,501	3,484	100,985
Revaluation increase on leasehold land and buildings	–	–	–	–	–	–	–	–	–	1,165	–	1,165	–	1,165
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	–	–	(156)	–	(156)	–	(156)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	293	–	–	–	293	–	293
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	–	727	–	–	–	727	–	727
Exchange difference arising from foreign operations	–	–	–	–	–	–	–	6,118	–	–	–	6,118	4,272	10,390
Reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	–	202	–	–	–	202	–	202
Total comprehensive income for the year	–	–	–	–	–	–	–	7,340	–	1,009	97,501	105,850	7,756	113,606
Issue of shares upon exercise of share options	147	2,868	–	–	(596)	–	–	–	–	–	–	2,419	–	2,419
Recognition of equity-settled share-based payment	–	–	–	–	40	–	–	–	–	–	–	40	–	40
Cancellation of share options	–	–	–	–	(534)	–	–	–	–	–	534	–	–	–
Acquisition of additional interest in a subsidiary from a non-controlling shareholder *(note d)*	–	–	(136)	–	–	–	–	–	–	–	–	(136)	(2,183)	(2,319)
Disposals of subsidiaries	–	–	208	–	–	–	–	–	–	–	–	208	(3,118)	(2,910)
Derecognition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(1,857)	(1,857)
Dividends paid to shareholders *(note 13)*	–	–	–	–	–	–	–	–	–	–	(16,322)	(16,322)	–	(16,322)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(1,558)	(1,558)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	3,484	–	(3,484)	–	–	–
At 31 December 2017	41,427	420,916	(771)	(295,411)	–	(705)	–	(21,119)	13,024	11,368	358,269	526,998	26,741	553,739

Notes:

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

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

(c) The non-controlling interests at 1 January 2013 included the fair value of options classified as equity instruments amounting to HK$705,000, which were related to the options granted to a group entity and a non-controlling shareholder of OTX Logistics B.V. ("OTX Logistics Holland") on disposal of 25% equity interest in OTX Logistics Holland in 2011. As the condition precedent the exercise of these options was not materialised upon the listing of the Company on 11 July 2014, the amount was reclassified to other reserve. The aforesaid options have been cancelled on 1 December 2017.

(d) On 27 October 2016, the Group acquired additional 30% equity interest in a subsidiary at a consideration amounting to Singapore dollars 350,000 (equivalent to HK$1,953,000) from its non-controlling shareholder, resulting in HK$838,000 debit balance recognised in capital reserve. On 10 July 2017, the Group acquired additional 20% equity interest in OTX Solutions B.V. ("OTX Solutions Holland") at a consideration amounting to Euro 261,500 (equivalent to HK$2,319,000) from its non-controlling shareholder, resulting in Euro 15,330 (equivalent to HK$136,000) debit balance recognised in capital reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Profit before taxation		123,510	16,036
Adjustments for:			
Interest income		(486)	(1,025)
Finance costs		4,729	3,327
Share of results of associates		(307)	(353)
Share of results of joint ventures		(1,076)	3,683
Depreciation of property, plant and equipment		11,279	10,502
Amortisation of intangible assets		3,930	2,797
Loss (gain) on disposal of property, plant and equipment		527	(116)
Impairment loss on trade receivables recognised, net		9,032	2,708
Impairment loss on available-for-sale investment		–	581
Fair value changes of held for trading investments		(22)	(66)
Share-based payments		40	585
Fair value changes of investment properties		239	(123)
Write down long outstanding payable		(494)	(161)
Gain on disposals of subsidiaries		(20,114)	–
Operating cash flows before movements in working capital		130,787	38,375
Increase in trade receivables		(177,783)	(65,846)
Increase in other receivables, deposits and prepayments		(42,453)	(23,486)
Decrease (increase) in amount due from a joint venture		8,656	(13,036)
(Increase) decrease in amounts due from associates		(87)	645
Increase in trade and other payables		125,417	54,638
Cash generated from (used in) operations		44,537	(8,710)
Income tax paid		(12,315)	(15,342)
Net cash from (used in) operating activities		32,222	(24,052)
Investing activities			
Interest received		486	1,025
Purchase of property, plant and equipment		(8,581)	(12,602)
Advance to a related company		(1,245)	–
Repayment from (advance to) associates		479	(2,864)
Repayment from (advance to) a joint venture		3,686	(3,414)
Repayment from a related company		6	–
Net cash outflow on acquisition of subsidiaries	*35*	(14,324)	–
Additions of intangible assets		(2,101)	–
Net cash outflow on disposals of subsidiaries	*36*	(8,149)	–
Withdrawal of pledged bank deposits		77	1,239
Placement of pledged bank deposits		(96)	(68)
Payment for investments in joint ventures		(66)	(3,891)
Payment for investments in associates		–	(166)
Payment for additional interests in a subsidiary		(2,319)	(1,953)
Proceed from disposal of available-for-sale investment		16,703	–
Proceeds from disposal of property, plant and equipment		13	366
Net cash used in investing activities		(15,431)	(22,328)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
Financing activities			
Increase in bank overdrafts		319	629
Increase in factoring loans		879	49,065
Interests paid		(4,729)	(3,327)
New bank loans obtained		354,430	234,094
Repayment of bank loans		(321,258)	(237,033)
Dividends paid to non-controlling interests of the subsidiaries		(1,558)	(458)
Dividends paid	*13*	(16,322)	(5,366)
Advance to an associate		–	(69)
Advance to a joint venture		–	(11,778)
Advance to a related company		–	(55)
Repayment of obligations under finance leases		(550)	(694)
Proceeds from issuance of new shares		2,419	–
Payment for repurchase of ordinary shares		–	(177)
Payment for transactions attributable to repurchase of ordinary shares		–	(1,850)
Net cash from financing activities		13,630	22,981
Net increase (decrease) in cash and cash equivalents		30,421	(23,399)
Cash and cash equivalents at the beginning of the year		211,207	242,300
Effect of foreign exchange rate changes		6,573	(7,694)
Cash and cash equivalents at the end of the year		248,201	211,207
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		248,201	211,207

1. GENERAL

YTO Express (International) Holdings Limited (formerly known as On Time Logistics Holdings Limited) (the "Company") was incorporated and registered as an exempted company with limited liability under the Companies Law in the Cayman Islands on 6 March 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 July 2014. The ultimate holding company of the Company is 上海圓通蛟龍投資發展(集團)有限公司, a company incorporated in the People's Republic of China (the "PRC"). The intermediate holding company of the Company is YTO Express Group Co., Ltd., a joint stock limited liability company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange. The immediate holding company of the Company is YTO Global Holdings Limited, a limited liability company incorporated in Hong Kong. The addresses of the registered office and the principle place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong respectively.

The Company acts as an investment holding company. The principal activities of associates, joint ventures and subsidiaries are set out in notes 19, 20 and 46 respectively.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 31. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 31, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2017, management of the Group considers the following potential impact on initial application of HKFRS 9:

In general, management of the Group considers that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by management of the Group, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

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

Management of the Group considers that the application of HKFRS 15 in the future may result in more disclosures, however, management of the Group does not considers that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

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

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

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 16 "Leases" (Continued)

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$133,916,000 as disclosed in note 41. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

In addition, the Group considers refundable rental deposits paid of HK$9,170,000 and refundable rental deposits received of HK$470,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-to-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Merger accounting for business combination involving entities under common control

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

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

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

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

Goodwill

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

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

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

Interests in associates and joint ventures

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures (Continued)

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

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

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

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

Revenue recognition

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

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

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

Logistics services income is recognised when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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

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

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

Property, plant and equipment

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

Intangible assets acquired in a business combination

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

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

Impairment losses on tangible and intangible assets other than goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible and intangible assets other than goodwill (Continued)

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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

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

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

Available-for-sale investments

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

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

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to associates and bank borrowings) are subsequently measured at amortised cost using effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading (ii) it is designated as at FTVPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

Retirement benefit costs

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

Share-based payment arrangements

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Leasehold land and building

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

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

Foreign currencies

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Estimated impairment on trade receivables

The Group makes impairment losses on trade receivables and unbilled trade receivables(note 22) based on the assessments of the recoverability of the outstanding balances. Impairment losses are applied to trade receivables and unbilled trade receivables where events or changes in circumstances indicate that the balances may not be collectible or recoverable. The identification of impairment losses require the estimation of future cash flows. Management has taken into consideration the overdue balances, previous history, value of assets pledged as collateral and ageing of trade receivables. Where the expectations of the recoverability of the trade receivables is different from the original estimate, such difference will impact the carrying values of the trade receivables and unbilled trade receivables and impairment losses recognised in profit or loss in the year in which such estimate has changed. As at 31 December 2017, the carrying amounts of trade receivables and unbilled trade receivables were HK$684,132,000 (2016: HK$496,150,000) (net of allowance for doubtful debts of HK$10,242,000 (2016: HK$7,508,000)) and HK$69,769,000 (2016: HK$37,494,000) respectively.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of fair value less cost of disposal and value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from each cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill was HK$36,453,000 (2016: HK$13,770,000). Details of the recoverable amount calculation are disclosed in note 17.

Useful lives of intangible assets

Amortisation is provided to write off the cost of intangible assets over their estimated useful lives which are determined by the Group. The carrying amount of the intangible assets as at 31 December 2017 was HK$22,172,000 (2016: HK$17,654,000). In applying the accounting policy on intangible assets with respect to amortisation, the directors of the Company estimate the useful life of intangible assets according to the industrial experiences over the revenue expectation and also by reference to the relevant industrial norm. Should the useful lives of these assets differ from that previously estimated, the calculation of amortisation would be affected.

Fair value measurements and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 15, 16, 23 and 38 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. REVENUE

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

6. SEGMENT INFORMATION

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

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

Air freight: this segment is related to freight forwarding by air.

Ocean freight: this segment is related to freight forwarding by seas.

Logistics: this segment is related to provide warehousing and package services.

Others: this segment is related to freight forwarding by land and trucking services.

(a) Segment revenue and results

	Segment revenue		Segment results	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating and reportable segments				
Air freight	2,561,622	1,868,551	231,656	176,270
Ocean freight	923,561	835,134	148,167	128,741
Logistics	89,351	97,801	(24)	(3,756)
Others	95,980	65,853	33,875	25,007
Total	3,670,514	2,867,339	413,674	326,262
Other income			9,962	6,346
Other gains or losses			20,944	5,320
Unallocated corporate expenses			(317,724)	(315,235)
Share of profit of associates			307	353
Share of profit (loss) of joint ventures			1,076	(3,683)
Finance costs			(4,729)	(3,327)
Profit before taxation			123,510	16,036

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

(b) Segment assets and liabilities

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

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

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

	Turnover from external customers	
	2017	**2016**
	HK$'000	*HK$'000*
Hong Kong	1,564,996	1,098,400
The PRC	758,268	547,175
Other Asian regions	444,569	434,113
The Netherlands	467,235	324,259
United States of America (the "USA")	358,512	430,315
Others	76,934	33,077
	3,670,514	2,867,339

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

	2017	**2016**
	HK$'000	*HK$'000*
Hong Kong	41,310	42,339
The PRC	34,739	8,585
Other Asian regions	3,248	3,615
The Netherlands	32,543	28,612
USA	3,467	4,105
Others	52	1
	115,359	87,257

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

(d) Information about major customers

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

7. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income on:		
– bank deposits	461	892
– loan to an associate	25	25
Rental income	6,204	1,821
Management fee income	2,077	755
IT service income	410	344
Trademarks income	–	124
Write-down long outstanding payables	494	161
Sundry income	291	2,224
Total	9,962	6,346

8. OTHER GAINS OR LOSSES

	2017	2016
	HK$'000	*HK$'000*
Gain on disposals of subsidiaries *(note 36)*	20,114	–
(Loss) gain on disposals of property, plant and equipment	(527)	116
Gain arising from changes in fair value of held for trading investments	22	66
Fair value (loss) gain on investment properties	(239)	123
Net foreign exchange gain	784	5,602
Impairment loss on available-for-sale investment	–	(581)
Others	790	(6)
	20,944	5,320

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on		
– bank borrowings	4,694	3,275
– obligations under finance leases	35	52
	4,729	3,327

10. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	4,091	360
– Enterprise Income Tax in the PRC	7,551	3,814
– Dutch Corporate Income Tax	4,485	1,603
– Indian Corporate Income Tax	106	301
– Vietnam Corporate Income Tax	1,179	1,218
– Thailand Corporate Income Tax	30	267
– Malaysia Corporate Income Tax	902	915
– Canadian Corporate Income Tax	777	648
– Other jurisdictions	1,997	1,655
	21,118	10,781
Overprovision in respect of prior years		
– Hong Kong Profits Tax	(770)	(52)
– Enterprise Income Tax in the PRC	(1)	–
– Other jurisdictions	(1,697)	(894)
	(2,468)	(946)
Withholding tax on dividend received	495	555
Deferred taxation *(note 32)*	3,380	(657)
	22,525	9,733

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiaries of the Group is taxed at 25% during both financial years.

Dutch Corporate Income Tax rates are progressive tax rates. The corporate income tax charge has been calculated at the tax rate between 20.0% to 25.0% during both financial years.

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

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

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

Malaysia Corporate Income Tax is calculated at 24% 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 (the "BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

10. INCOME TAX EXPENSE (CONTINUED)

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

Details of the deferred taxation are set out in note 32.

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

	2017	**2016**
	HK$'000	*HK$'000*
Profit before taxation	123,510	16,036
Tax at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	20,379	2,646
Tax effect of expenses not deductible for tax purposes	3,471	3,094
Tax effect of income not taxable for tax purposes	(3,886)	(276)
Tax effect of share of results of associates	(51)	(58)
Tax effect of share of results of joint ventures	(177)	608
Effect on tax exemption granted	(19)	(34)
Tax effect of tax losses not recognised	703	3,487
Overprovision in respect of prior year	(2,468)	(946)
Effect of different tax rates of group entities operating in different jurisdictions other than Hong Kong	208	971
Withholding tax on undistributed earnings	4,042	(154)
Withholding tax upon dividend declared	495	555
Others	(172)	(160)
Tax charge for the year	22,525	9,733

11. PROFIT FOR THE YEAR

	2017	**2016**
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	4,532	4,972
Depreciation of property, plant and equipment	11,279	10,502
Amortisation of intangible assets (included in administrative expenses)	3,930	3,130
Impairment losses on trade receivables recognised	10,976	5,470
Reversal of impairment losses on trade receivables	(1,944)	(2,762)
Operating lease rentals in respect of rented premises and motor vehicles	64,386	64,256
Staff costs		
Directors' emoluments *(note 12)*	10,345	9,116
Other staff costs		
Staff costs excluding retirement benefit contributions	254,544	258,700
Retirement benefit contributions	25,270	26,692
Total staff costs	290,159	294,508
Gross rental income from investment properties	354	348
Less: outgoings incurred which did not generate rental income	(83)	(77)
	271	271

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

Directors' and chief executive's emoluments

Year ended 31 December 2017

Name of director	Directors' fees	Basic salaries and allowances	Performance bonus *(note)*	Equity-settled share option expense	Director's quarter	Retirement benefit contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Mr. Lam Chun Chin, Spencer ("Mr. Lam")	–	273	1,000	–	380	13	1,666
Mr. Li Xianjun	–	77	–	–	24	–	101
Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch")	–	1,073	642	–	–	–	1,715
Ms. Cheung Ching Wa, Camy	–	1,022	642	–	–	16	1,680
Ms. Wong Pui Wah	–	943	641	9	–	17	1,610
Mr. Dennis Ronald de Wit	183	1,746	829	–	–	215	2,973
Non-executive directors							
Mr. Yu Huijiao	–	–	–	–	–	–	–
Mr. Su Xiufeng	–	–	–	–	–	–	–
Mr. Zhu Rui	–	–	–	–	–	–	–
Mr. Lin Kai	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Li Donghui	17	–	–	–	–	–	17
Mr. Xu Junmin	17	–	–	–	–	–	17
Mr. Chung Kwok Mo John	17	–	–	–	–	–	17
Mr. Ng Wai Hung	183	–	–	–	–	–	183
Mr. Poon Ka Lee, Barry	183	–	–	–	–	–	183
Mr. Wong See Ho	183	–	–	–	–	–	183
	783	5,134	3,754	9	404	261	10,345

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

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

Directors' and chief executive's emoluments (Continued)

Year ended 31 December 2016

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

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

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

During the year ended 31 December 2017, the Group paid management fee of approximately HK$2.8 million (2016: HK$2.4 million) to D.R. de Wit Beheer B.V. (a company wholly owned by Mr. Dennis Ronald de Wit) for management services rendered by Mr. Dennis Ronald de Wit.

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

Details of the share option scheme are set out in note 42 to the Group's consolidated financial statements.

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

Directors' and chief executive's emoluments (Continued)

Five highest paid individuals

The five highest paid individuals included 5 directors (2016: 3) whose emoluments were included in the disclosure above. The emoluments of the remaining 2 highest paid individuals for the year ended 31 December 2016 are as follows:

	2017 *HK$'000*	2016 *HK$'000*
Employees		
– basic salaries and allowances	–	2,990
– bonus	–	–
– equity-settled share option expense	–	–
– retirement benefit contributions	–	–
	–	2,990

Their emoluments were within the following bands:

	2017	2016
HK$1,000,001 to HK$1,500,000	–	2

During the years ended 31 December 2017 and 31 December 2016, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments for both years.

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

13. DIVIDEND

	2017 *HK$'000*	2016 *HK$'000*
Special dividend of HK3.94 cents per share	16,322	–
Proposed final dividend in respect of the year ended 31 December 2017 of HK2.3 cents (2016: nil) per share	9,528	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK2.3 cents per share, in an aggregate amount of HK$9,528,000 (2016: nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	97,501	4,967
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	413,836,333	413,136,180
Effect of dilutive potential ordinary shares on share options	898,630	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	414,734,963	413,136,180

15. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At the beginning of the year	7,249	7,634
Decrease increase in fair value recognised in profit or loss	(239)	123
Exchange realignment	521	(508)
At the end of the year	7,531	7,249

The fair value of the Group's investment properties situated outside of Hong Kong at 31 December 2017 and 31 December 2016 have been arrived at on the basis of a valuation carried out on the respective dates by RHL Appraisal Limited, an independent qualified professional valuer not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. There has been no change to the valuation technique during the year.

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Computer equipment *HK$'000*	Furniture and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST OR VALUATION						
At 1 January 2016	22,759	31,930	19,708	15,995	5,920	96,312
Additions	–	4,768	4,409	3,369	523	13,069
Revaluation	(747)	–	–	–	–	(747)
Disposals	–	(1,147)	(446)	(818)	(1,415)	(3,826)
Exchange realignment	(1,514)	(667)	(595)	(302)	(109)	(3,187)
At 31 December 2016	20,498	34,884	23,076	18,244	4,919	101,621
Additions	–	4,349	1,759	2,077	799	8,984
Revaluation	490	–	–	–	–	490
Acquisitions of subsidiaries *(note 35)*	–	125	53	–	–	178
Disposals	–	(549)	(434)	(1,207)	(245)	(2,435)
Disposals of subsidiaries *(note 36)*	–	(1,436)	(148)	(253)	(296)	(2,133)
Exchange realignment	1,474	1,340	1,527	392	168	4,901
At 31 December 2017	22,462	38,713	25,833	19,253	5,345	111,606
Comprising:						
31 December 2017						
At cost	–	38,713	25,833	19,253	5,345	89,144
At valuation	22,462	–	–	–	–	22,462
	22,462	38,713	25,833	19,253	5,345	111,606
Comprising:						
31 December 2016						
At cost	–	34,884	23,076	18,244	4,919	81,123
At valuation	20,498	–	–	–	–	20,498
	20,498	34,884	23,076	18,244	4,919	101,621
DEPRECIATION						
At 1 January 2016	–	20,671	11,874	10,671	4,614	47,830
Charge for the year	668	4,393	2,952	1,996	493	10,502
Elimination on revaluation	(637)	–	–	–	–	(637)
Eliminated on disposals	–	(1,114)	(390)	(742)	(1,330)	(3,576)
Exchange realignment	(31)	(441)	(364)	(167)	(79)	(1,082)
At 31 December 2016	–	23,509	14,072	11,758	3,698	53,037
Charge for the year	651	5,215	2,552	2,314	547	11,279
Elimination on revaluation	(675)	–	–	–	–	(675)
Eliminated on disposals	–	(541)	(363)	(746)	(245)	(1,895)
Disposals of subsidiaries *(note 36)*	–	(1,089)	(112)	(253)	(50)	(1,504)
Exchange realignment	24	833	969	220	115	2,161
At 31 December 2017	–	27,927	17,118	13,293	4,065	62,403
CARRYING VALUES						
At 31 December 2017	22,462	10,786	8,715	5,960	1,280	49,203
At 31 December 2016	20,498	11,375	9,004	6,486	1,221	48,584

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Leasehold land and buildings	Over the term of the lease
Computer equipment	20% - $33^1/_3$%
Furniture and equipment	20% - $33^1/_3$%
Leasehold improvements	5 years or over the term of the lease if shorter
Motor vehicles	20%

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

The Group's leasehold land and buildings were valued on 31 December 2017 and 31 December 2016 by RHL Appraisal Limited, an independent qualified professional valuer not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available adjusted for differences in the nature, location and conditions of the subject properties. There has been no change to the valuation technique during the year.

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

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

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

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

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

	2017	**2016**
	HK$'000	*HK$'000*
Cost	12,131	12,131
Accumulated depreciation	(2,805)	(2,461)
Carrying value	9,326	9,670

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2017 *HK$'000*	**2016** *HK$'000*
Motor vehicles	302	551
Furniture and equipment	533	337
	835	888

17. GOODWILL

	2017 *HK$'000*	**2016** *HK$'000*
At the beginning of the year	13,770	14,429
Additions *(note 35)*	19,454	–
Exchange realignment	3,229	(659)
At the end of the year	36,453	13,770

Goodwill at 31 December 2016 arose from the acquisition of OTX Logistics Holland and its subsidiaries ("OTX Logistics Holland Group") during the year ended 31 December 2011. The OTX Logistics Holland Group is engaged in the provision of freight forwarding services in The Netherlands.

During the year ended 31 December 2017, the Group acquired Best Loader Logistics Company Limited ("Best Loader HK") and 翼尊國際貨運代理（上海）有限公司 ("Best Loader Shanghai"). They are engaged in the provision of freight forwarding services in Hong Kong and the PRC, respectively.

The carrying value of goodwill with indefinite useful lives has been allocated to the cash generating units ("CGUs") of OTX Logistics Holland Group, Best Loader HK and Best Loader Shanghai at the amount of HK$15,853,000, HK$145,000 and HK$20,455,000 respectively for impairment testing purpose.

The recoverable amount of the CGUs have been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections approved by management of the Group which are based on recent financial budgets covering a 5-year period (2016: 5-year period) and pre-tax discount rates ranging from 14.20%-15.94% (2016: 15.85%). Cash flows beyond the 5-year period have been extrapolated using zero growth rate. The key assumptions are budgeted gross margin based on the past performance and the Group's expectation for the market development. The directors of the Group believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGUs to exceed its recoverable amount.

18. INTANGIBLE ASSETS

	Computer system *HK$'000*	Customer lists *HK$'000*	Trademarks *HK$'000*	Total *HK$'000*
COST				
At 1 January 2016	–	22,767	9,350	32,117
Addition	333	–	–	333
Exchange realignment	–	(1,038)	–	(1,038)
At 31 December 2016	333	21,729	9,350	31,412
Addition	2,101	–	–	2,101
Acquisitions of subsidiaries *(note 35)*	–	4,658	–	4,658
Exchange realignment	51	3,515	–	3,566
At 31 December 2017	2,485	29,902	9,350	41,737
AMORTISATION				
At 1 January 2016	–	9,757	1,442	11,199
Charge for the year	–	2,195	935	3,130
Exchange realignment	–	(571)	–	(571)
At 31 December 2016	–	11,381	2,377	13,758
Charge for the year	–	2,995	935	3,930
Exchange realignment	–	1,877	–	1,877
At 31 December 2017	–	16,253	3,312	19,565
CARRYING VALUES				
At 31 December 2017	2,485	13,649	6,038	22,172
At 31 December 2016	333	10,348	6,973	17,654

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

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

19. INTERESTS IN ASSOCIATES

	2017 *HK$'000*	**2016** *HK$'000*
Cost of investments, unlisted	14,979	1,512
Share of post-acquisition profits and other comprehensive income, net of dividends received	726	126
Impairment loss recognised	(448)	(448)
	15,257	1,190

Particulars of associates at 31 December 2017 and 31 December 2016 are as follows:

Name of entity	**Place/country of incorporation/ operation**	**Class of issued capital shares**	**Proportion of nominal value of interest held by the Company 2017**	**2016**	**Principal activities**
Fashion Care Logistics B.V.	The Netherlands	Ordinary	25%	25%	Inactive
On Time Worldwide Logistics Limited	Bangladesh	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide Logistics L.L.C. ("OT WW Dubai")	The United Arab Emirates	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide International Cargo Services L.L.C. ("OT Abu Dhabi")	The United Arab Emirates	Ordinary	49%	49%	Provision of freight forward services
VGL Hong Kong Limited ("VGL HK")	Hong Kong	Ordinary	50%	50%	Provision of freight forwarding services
威超國際貨運代理有限公司 ("VGL China")	The PRC	Registered	50%	50%	Provision of freight forwarding services
On Time Worldwide Logistics (Private) Limited ("OT Sri Lanka")	Sri Lanka	Ordinary	40%	40% *(note a)*	Provision of freight forwarding services
On Time Worldwide Logistics Ltd. ("OT Korea")	Korea	Ordinary	48% *(note b)*	–	Provision of freight forwarding services

Notes:

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

(b) On 1 November 2017, 3% of the equity interest of OT Korea was disposed by OT BVI to independent third party at a consideration of HK$842,000. OT Korea ceased to be a subsidiary of the Group and became an associate of the Group.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate financial information of associates that are not individually material:

	2017 *HK$'000*	2016 *HK$'000*
The Group's share of profits of associates	307	353
The Group's share of other comprehensive income (expense) of associates	293	(1)
The Group's share of total comprehensive income	600	352
Aggregate carrying amount of the Group's interests in associates	15,257	1,190

Unrecognised share of losses of associates

	2017 *HK$'000*	2016 *HK$'000*
The unrecognised share of loss of associates for the year	343	1,141
Cumulative unrecognised share of losses of associates for the year	2,016	1,673

20. INTERESTS IN JOINT VENTURES

	2017 *HK$'000*	2016 *HK$'000*
Cost of investments, unlisted	2,831	6,661
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,423	(2,275)
	6,254	4,386

20. INTERESTS IN JOINT VENTURES (CONTINUED)

Particulars of the joint ventures at 31 December 2017 and 31 December 2016 are as follows:

Name of entity	Place/country of incorporation/ operation	Class of issued capital shares	Proportion of nominal value of interest held by the Company 2017	2016	Principal activities
OTX Logistics Rotterdam B.V.	The Netherlands	Ordinary	37.5%	37.5%	Provision of freight forwarding services
BFM International Company Limited ("BFM HK")	Hong Kong	Ordinary	– *(note a)*	40%	e-commerce
BFM Holdings Limited ("BFM BVI")	The BVI	Ordinary	– *(note a)*	40%	Investment holding
BFM (Shenzhen) Network Technology Co. Ltd. ("BFM China") 白富美(深圳)網絡科技有限公司	The PRC	Registered	– *(note a)*	40%	Inactive
On Time Compliance Services Limited ("OT Compliance HK")	Hong Kong	Ordinary	50% *(note b)*	N/A	Inactive

Notes:

(a) On 13 February 2017, the Group disposed of 40% issued share capital of BFM BVI to an independent third party at a consideration of HK$1. BFM BVI and its subsidiaries including BFM HK and BFM China ceased to be joint ventures of the Group.

(b) On 1 February 2017, the Group acquired 50% of the issued share capital of OT Compliance HK at a consideration of HK$65,662.

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

	2017 *HK$'000*	**2016** *HK$'000*
The Group's share of profit (loss)	1,076	(3,683)
The Group's share of other comprehensive income (expense)	727	(212)
The Group's share of total comprehensive income (expense)	1,803	(3,895)
Aggregate carrying amount of the Group's interest in joint ventures	6,254	4,386

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 *HK$'000*	**2016** *HK$'000*
Listed equity securities	–	16,237
Unlisted equity securities	–	–
	–	16,237

The listed and unlisted equity securities represent the Group's investment in 北京明邦物流股份有限公司 ("DNJ China") and Blackon Lab Holdings Limited ("Blackon Lab") with carrying amount of nil (2016: HK$16,237,000) and nil (2016: nil) respectively as at 31 December 2017.

DNJ China is incorporated in the PRC and the Group's investment represents 13% holding of the ordinary shares of DNJ China. DNJ China was listed on the National Equities Exchange and Quotations System on 21 March 2016 and disposed of by the Group at a consideration of HK$16,703,000 to an independent third party on 29 March 2017.

Blackon Lab is incorporated in the British Virgin Islands and the Group's investment represents 1% holding of the ordinary shares of Blackon Lab. The investment has been fully impaired in prior years.

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

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	**2016**
	HK$'000	*HK$'000*
Trade receivables	694,374	503,658
Less: allowance for doubtful debts	(10,242)	(7,508)
	684,132	496,150

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

	2017	**2016**
	HK$'000	*HK$'000*
0 – 30 days	381,884	288,100
31 – 60 days	196,239	140,663
61 – 90 days	87,617	45,206
91 – 180 days	15,081	10,811
Over 180 days	3,311	11,370
	684,132	496,150

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

On 29 August 2016, Mr. Haenisch, an executive director, executed a personal guarantee and security and collateral agreement (whereby certain properties owned by him were specified as collaterals) in favour of the Company to guarantee trade receivable due and owing by one of the Company's customers, which is an independent third party. As at 31 December 2017, such trade receivable was fully recovered (2016: HK$8,212,634).

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

	2017	**2016**
	HK$'000	*HK$'000*
Overdue		
0 – 30 days	196,239	140,663
31 – 60 days	87,617	45,206
61 – 150 days	15,081	10,811
Over 150 days	3,311	11,370
	302,248	208,050

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

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

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

	2017 *HK$'000*	2016 *HK$'000*
Balance at the beginning of the year	7,508	19,215
Impairment losses recognised	10,976	5,470
Amounts written off	(6,702)	(13,552)
Reversal of impairment losses	(1,944)	(2,762)
Disposals of subsidiaries *(note 36)*	(317)	–
Exchange realignment	721	(863)
Balance at the end of the year	10,242	7,508

As at 31 December 2017 and 31 December 2016, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$10,242,000 and HK$7,508,000 respectively, which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	2017 *HK$'000*	2016 *HK$'000*
Other deposits	18,339	12,622
Other receivables	87,940	41,159
Other tax receivables	4,834	3,505
Prepayments	17,969	11,763
Rental deposits	9,170	10,372
	138,252	79,421

As at 31 December 2017, included in other receivables are receivables relating to freight forwarding services rendered but not yet billed to customers of HK$69,769,000 (2016: HK$37,494,000),

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

	2017 *HK$'000*	2016 *HK$'000*
0 – 30 days	69,769	37,494

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

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

	2017	**2016**
	HK$'000	*HK$'000*
United States dollar ("US$")	234,220	190,828
Renminbi ("RMB")	23,372	14,478
Indonesian Rupiah ("IDR")	4,416	3,824
Canadian dollar ("CAD")	239	307

Transfers of financial assets

The followings were the Group's trade receivables as at 31 December 2017 and 31 December 2016 that were transferred to banks by factoring those trade receivables on a full recourse basis. As the Group has not transferred substantially all risks and rewards of the ownership of to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured factoring loans (see note 31).

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

	2017	**2016**
	HK$'000	*HK$'000*
Carrying amount of transferred assets	120,713	119,615
Carrying amount of associated liabilities	(96,570)	(95,691)
Net position	24,143	23,924

23. HELD FOR TRADING INVESTMENT

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

24. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

As at 31 December 2017, the amount due from immediate holding company amounting to HK$1,245,000 (2016: nil) is non-trade related, unsecured, interest-free, and repayable on demand.

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

As at 31 December 2017, amounts due from associates amounting to HK$8,616,000 (2016: HK$10,717,000) are non-trade related, unsecured, interest-free, and repayable on demand. The remaining balances (2016: nil) are trade related, unsecured and interest-free.

The Group allows average credit period of 30 days to its trade balances due from associates. The credit period granted by the associates to the Group is within 30 days. The following is an ageing analysis of trade balances due from associates, based on the invoice date at the end of the reporting period:

	2017	**2016**
	HK$'000	*HK$'000*
0 – 30 days	607	–
31 – 60 days	392	–
61 – 90 days	176	–
91 – 180 days	272	–
Over 180 days	1,521	–
	2,968	–

Ageing of trade balances due from associates which are past due but not impaired:

	2017	**2016**
	HK$'000	*HK$'000*
Overdue		
0 – 30 days	392	–
31 – 60 days	176	–
61 – 150 days	272	–
Over 150 days	1,521	–
	2,361	–

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

As at 31 December 2017, amounts due to associates comprise of (i) trade payables balance of HK$4,303,000 (2016: HK$194,000), and (ii) non-trade receivables balance of HK$2,580,000 (2016: nil)

The following is an ageing analysis of trade balances due to associates, based on the invoice date at the end of the reporting period:

	2017	**2016**
	HK$'000	*HK$'000*
0 – 30 days	4,041	–
31 – 60 days	91	194
61 – 90 days	77	–
91 – 180 days	61	–
Over 180 days	33	–
	4,303	194

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

	2017	**2016**
	HK$'000	*HK$'000*
US$	2,704	4,735

As at 31 December 2017, the loan to an associate, VGL HK, amounting to HK$500,000 (2016: HK$500,000) is unsecured, repayable on demand and carries interest at 5% per annum.

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

26. AMOUNTS DUE FROM JOINT VENTURES/LOAN TO A JOINT VENTURE

As at 31 December 2017, other than set out below, amounts due from joint ventures amounting to HK$278,000 (2016: HK$550,000) are non-trade related, unsecured, interest-free and repayable on demand.

The Group allows average credit period of 30 days to its trade balances due from joint ventures and the balances are unsecured and interest-free. The following is an ageing 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:

	2017	**2016**
	HK$'000	*HK$'000*
0 – 30 days	3,373	4,208
31 – 60 days	1,097	3,066
61 – 90 days	771	2,505
91 – 180 days	135	3,655
Over 180 days	20	618
	5,396	14,052

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

	2017	**2016**
	HK$'000	*HK$'000*
Overdue		
0 – 30 days	1,097	3,066
31 – 60 days	771	2,505
61 – 150 days	135	3,655
Over 150 days	20	618
	2,023	9,844

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

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

	2017	**2016**
	HK$'000	*HK$'000*
US$	4,780	11,271

27. AMOUNTS DUE FROM RELATED COMPANIES

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

	2017	2016
	HK$'000	*HK$'000*
Amounts due from related companies – non-trade		
On Good Development Limited *(note)*	–	4
First Choice International Limited *(note)*	–	2
	–	6

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

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

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK$8,472,000 (2016: HK$10,747,000) are pledged as securities in favour of banks facilities. The average effective interest rate of pledged bank deposits was 1.11% (2016: 1.01%) per annum as at 31 December 2017.

Bank balances as at 31 December 2017 carry interests at market rates which range from 0% to 5.25% (2016: 0% to 6.25%) per annum.

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

	2017	2016
	HK$'000	*HK$'000*
US$	90,472	73,673
RMB	2,438	709
Euro ("EUR")	2,918	2,508
Singapore dollars ("SGD")	19	34
IDR	778	275
CAD	627	602
British pound Sterling ("GBP")	46	48

29. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	360,425	241,311
Other payables and accrued charges	109,638	63,422
Deposit received	6,653	7,696
Advance from employees	337	277
	477,053	312,706
Analysed as:		
– current	473,900	309,685
– non-current	3,153	3,021
	477,053	312,706

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

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

	2017	2016
	HK$'000	*HK$'000*
Within 60 days	337,776	227,283
61 – 180 days	16,573	8,975
181 – 365 days	2,172	1,274
1 – 2 years	3,904	3,779
	360,425	241,311

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

	2017	2016
	HK$'000	*HK$'000*
US$	29,036	17,080
RMB	3,822	2,335
EUR	6,910	4,566
CAD	1,043	1,043
IDR	1,842	1,884
GBP	1,184	310
Malaysian Ringgit ("RM")	1,751	–

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	373	528	357	498
In more than one year but not more than two years	177	259	173	251
In more than two years but not more five years	124	44	118	43
	674	831	648	792
Less: future finance charges	(26)	(39)	–	–
Present value of lease obligations	648	792	648	792
Less: Amount due from settlement within one year (shown under current liabilities)			(357)	(498)
Amount due for settlement after one year			291	294

The Group has leased certain of its furniture and equipment and motor vehicles under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 0.62% to 4.93% (2016: 0.94% to 12.24%) per annum as at 31 December 2017.

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

31. BANK BORROWINGS

	2017 *HK$'000*	**2016** *HK$'000*
Secured:		
– bank overdrafts	1,131	812
– bank loans	82,069	48,897
– factoring loans	96,570	95,691
	179,770	145,400

The borrowings are repayable:

	2017 *HK$'000*	**2016** *HK$'000*
Carrying amounts of bank borrowings that contain a repayment clause:		
Analysed based on original repayment schedule		
Repayable within one year from the end of reporting period	82,069	48,897
Repayable on demand	97,701	96,503
Less: Amount due within one year shown under current liabilities	(179,770)	(145,400)
Amount due after one year	–	–

The Group's bank borrowings carry interest variable to Hong Kong Interbank Offered Rate, Hong Kong Best Lending Rate, HK$ Money Market Saving Debit Interest Base Rate, Korea Best Lending Rate, Malaysia Base Lending Rate and London Interbank Offered Rate. As at 31 December 2017, the effective interest rates range from 3.50% to 4.20% (2016: 2.44% to 8.1%) per annum which expose the Group to cash flow interest rate risk.

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

	2017 *HK$'000*	**2016** *HK$'000*
US$	–	812

As at 31 December 2017, the above bank borrowings are secured by pledged bank deposits of HK$8,472,000 (2016: HK$10,747,000) and trade receivables of HK$120,713,000 (2016: HK$119,615,000).

31. BANK BORROWINGS (CONTINUED)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 1 January 2017	New finance leases	Exchange realignment	Dividend declared	Interest expense	Financing cash flows	At 31 December 2017
Bank overdrafts *(note 31)*	812	–	–	–	–	319	1,131
Bank loans *(note 31)*	48,897	–	–	–	–	33,172	82,069
– New bank loans obtained	–	–	–	–	–	354,430	–
– Repayment of bank loans	–	–	–	–	–	(321,258)	–
Factoring loans *(note 31)*	95,691	–	–	–	–	879	96,570
Obligations under finance lease *(note 30)*	792	430	(24)	–	–	(550)	648
Interest payable	–	–	–	–	4,729	(4,729)	–
Dividend payable	–	–	–	16,322	–	(16,322)	–

Note: The cash flows from bank overdrafts, factoring loans and obligations under finance leases make up the net amount of proceeds from borrowings, repayments of borrowings, finance charges of obligations under finance lease and interest payment in the statement of cash flows.

32. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*	Intangible assets *HK$'000*	Revaluation of properties *HK$'000*	Withholding tax on undistributed earnings *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2016	(199)	(3,317)	(3,276)	(7,291)	(20)	(14,103)
Credit (charge) to profit or loss	(138)	560	(31)	154	112	657
Credit to other comprehensive income	–	–	155	–	–	155
Exchange realignment	5	119	219	185	(4)	524
At 31 December 2016	(332)	(2,638)	(2,933)	(6,952)	88	(12,767)
Credit (charge) to profit or loss	(147)	573	57	(4,042)	179	(3,380)
Charge to other comprehensive income	–	–	(156)	–	–	(156)
Acquisitions of subsidiaries *(note 35)*	(20)	–	–	–	–	(20)
Disposals of subsidiaries *(note 36)*	–	–	–	3,426	(189)	3,237
Exchange realignment	(11)	(365)	(209)	(575)	12	(1,148)
At 31 December 2017	(510)	(2,430)	(3,241)	(8,143)	90	(14,234)

32. DEFERRED TAXATION (CONTINUED)

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

	2017	**2016**
	HK$'000	*HK$'000*
Deferred tax assets	90	163
Deferred tax liabilities	(14,324)	(12,930)
	(14,234)	(12,767)

At 31 December 2017, the Group had unused tax losses of HK$45,867,000 (2016: HK$57,371,000), available to offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2017	**2016**
	HK$'000	*HK$'000*
2021	1,210	3,970
2031	2,514	2,495
2032	4,378	4,346
2033	7,224	7,171
2034	1,884	1,870
2035	8,956	8,890
2036	1,542	–
Indefinite	18,159	28,629
	45,867	57,371

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$10,518,000 (2016: HK$8,150,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

	Number of ordinary shares	Share capital
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2016	414,566,000	41,457
Repurchase and cancellation of ordinary shares	(1,762,000)	(177)
At 31 December 2016	412,804,000	41,280
Exercise of share options	1,466,000	147
At 31 December 2017	414,270,000	41,427

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

34. NON-CONTROLLING INTERESTS

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Other comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016	2017	2016
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OT Korea	Korea	N/A	49%	1,232	1,146	397	(160)	–	4,674
OTX Logistics Holland Group	The Netherlands	25%	25%	1,452	579	3,800	(1,222)	22,672	19,603
Individual immaterial subsidiaries with non-controlling interests				800	(389)	75	20	4,069	3,424
				3,484	1,336	4,272	(1,362)	26,741	27,701

34. NON-CONTROLLING INTERESTS (CONTINUED)

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

OT Korea

	2017 *HK$'000*	2016 *HK$'000*
Current assets	–	18,269
Non-current assets	–	265
Current liabilities	–	(8,995)
Non-current liabilities	–	–
Equity attributable to owners of the Company	–	4,865
Non-controlling interests	–	4,674
Revenue	69,349	76,673
Expenses	(66,834)	(74,335)
Profit for the year	2,515	2,338
Profit attributable to owner of the Company	1,283	1,192
Profit attributable to the non-controlling interests	1,232	1,146
Profit for the year	2,515	2,338
Other comprehensive expense attributable to owner of the Company	(413)	(166)
Other comprehensive expense attributable to the non-controlling interests	(397)	(160)
Other comprehensive expense for the year	(810)	(326)
Total comprehensive income attributable to owner of the Company	870	1,026
Total comprehensive income attributable to the non-controlling interests	835	986
Total comprehensive income for the year	1,705	2,012
Dividends paid to non-controlling interest	–	–
Net cash inflow from operating activities	434	4,719
Net cash outflow from investing activities	(53)	(135)
Net cash outflow from financing activities	(2,079)	–
Net cash (outflow) inflow	(1,698)	4,584

34. NON-CONTROLLING INTERESTS (CONTINUED)

OTX Logistics Holland Group

	2017 *HK$'000*	**2016** *HK$'000*
Current assets	204,142	137,447
Non-current assets	38,785	33,044
Current liabilities	(168,646)	(118,412)
Non-current liabilities	(5,555)	(2,970)
Equity attributable to owners of the Company	46,054	29,506
Non-controlling interests	22,672	19,603
Revenue	477,539	331,152
Expenses	(471,294)	(326,154)
Profit for the year	6,245	4,998
Profit attributable to owner of the Company	4,793	4,419
Profit attributable to the non-controlling interests	1,452	579
Profit for the year	6,245	4,998
Other comprehensive income (expense) attributable to owner of the Company	11,890	(3,650)
Other comprehensive income (expense) attributable to the non-controlling interests	3,800	(1,222)
Other comprehensive income (expense) for the year	15,690	(4,872)
Total comprehensive income attributable to owner of the Company	16,683	769
Total comprehensive income (expense) attributable to the non-controlling interests	5,252	(643)
Total comprehensive income for the year	21,935	126
Dividends paid to non-controlling interest	–	–
Net cash inflow (outflow) from operating activities	8,518	(6,322)
Net cash outflow from investing activities	(5,263)	(2,372)
Net cash outflow from financing activities	(414)	(26)
Net cash inflow (outflow)	2,841	(8,720)

35. ACQUISITIONS OF SUBSIDIARIES

(a) On 16 June 2017, the Group completed the acquisition of the entire issued share capital of Best Loader HK from Air Partner Logistics Company Limited, an independent third party, at a consideration of HK$3,000,000. This transaction has been accounted for as a business combination using acquisition accounting. Upon completion of the acquisition, Best Loader HK became an indirect wholly-owned subsidiary of the Company. Best Loader HK is primarily engaged in the freight forwarding business. As a result of the acquisition, the Group is expected to expand its capabilities in Hong Kong. Subject to and upon the terms and conditions of the sales and purchase agreement, the consideration of HK$3,000,000 includes contingent consideration of HK$800,000 to be determined based on the future financial performance of Best Loader HK. Management has determined that the fair value of the contingent consideration amounted to HK$576,000 as at 31 December 2017.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Intangible asset	783
Property, plant and equipment	170
Trade receivables	17,499
Deposits and prepayments	1,776
Bank balances and cash	5,102
Trade and other payables	(22,566)
Tax payables	(113)
Deferred tax liabilities	(20)
Total	2,631
Goodwill arising on acquisition	145
Consideration	2,776
Consideration transferred:	
Cash	2,200
Contingent consideration payable	576
Total	2,776

The fair value of trade receivables at the date of acquisition amounted to HK$17,499,000. The gross contractual amounts of those trade receivables acquired amounted to HK$17,499,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

	HK$'000
Net cash inflow arising on acquisition:	
Consideration paid in cash	(2,200)
Bank balances and cash acquired	5,102
	2,902

Included in profit for the year, is a profit of HK$4,248,000 attributable to the business combination of Best Loader HK. Revenue for the year includes HK$100,547,000 generated from Best Loader HK.

35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) (Continued)

If the above acquisition had been completed on 1 January 2017, the Group's total revenue for the year would have been HK$3,706,063,000, and profit for the year would have been HK$101,156,000. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition-related costs amounting to HK$83,000, which have been excluded from the consideration transferred and have been recognised as expense in the current year, are included in administrative expenses.

(b) On 17 July 2017, the Group completed the acquisition of the entire issued share capital of Best Loader Shanghai from Air Partner Logistics Company Limited, an independent third party, at a consideration of HK$27,000,000. This transaction has been accounted for as a business combination using acquisition accounting. Upon completion of the acquisition, Best Loader Shanghai became an indirect wholly-owned subsidiary of the Company. Best Loader Shanghai is primarily engaged in the freight forwarding business. As a result of the acquisition, the Group is expected to expand its capabilities in the PRC. Subject to and upon the terms and conditions of the sales and purchase agreement, the consideration of HK$27,000,000 includes contingent consideration of HK$7,200,000 to be determined based on the future financial performance of Best Loader Shanghai. Management has determined that the fair value of the contingent consideration amounted to HK$2,574,000 as at 31 December 2017.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000 *(note)*
Intangible asset	3,875
Property, plant and equipment	8
Trade receivables	18,796
Deposits and prepayments	1,300
Bank balances and cash	2,574
Trade and other payables	(20,000)
Tax payables	(6)
Total	6,547
Goodwill arising on acquisition	19,309
Consideration	25,856
Consideration transferred:	
Cash	19,800
Contingent consideration payable *(Note)*	6,056
Total	25,856

The fair value of trade receivables at the date of acquisition amounted to HK$18,796,000. The gross contractual amounts of those trade receivables acquired amounted to HK$18,796,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arose in the acquisition of Best Loader Shanghai because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Best Loader Shanghai. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

35. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) (Continued)

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

	HK$'000
Net cash outflow arising on acquisition:	
Consideration paid in cash	(19,800)
Bank balances and cash acquired	2,574
	(17,226)

Note: The initial accounting for the above acquisition has been determined provisionally.

Included in profit for the year, is a profit of HK$4,135,000 attributable to the business combination of Best Loader Shanghai. Revenue for the year includes HK$65,753,000 generated from Best Loader Shanghai.

If the above acquisition had been completed on 1 January 2017, the Group's total revenue for the year would have been HK$3,695,442,000, and profit for the year would have been HK$101,452,000. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition-related costs amounting to HK$136,000, which have been excluded from the consideration transferred and have been recognised as expense in the current year, are included in administrative expenses.

36. DISPOSALS OF SUBSIDIARIES

(a) On 20 October 2017, the Group disposed of 100% equity interest in OTWL – On Time Worldwide Logistics Ltd. 先達環球物流有限公司 ("OT Taiwan"), which is engaged in freight forwarding services in Taiwan to an independent third party for a consideration of HK$15,477,072.

(b) On 1 November 2017, the Group disposed of 3% equity interest in OT Korea, which is engaged in freight forwarding service in Korea, to an independent third party for a consideration of HK$842,000. The Group has ceased to have control over OT Korea as the Group has no ability to direct the relevant activities of OT Korea. After the disposal, the Group has significant influence over OT Korea which became an associate of the Group.

(c) On 31 October 2017, the Group disposed of 100% equity interest in Holicbuy Company Limited and its subsidiaries ("Holicbuy HK Group") to an independent third party for a consideration of HK$3,700,000.

An analysis of the net outflow of cash and cash equivalents in respect of the disposals of subsidiaries was as follows:

	HK$'000
Cash consideration	10,780
Cash and bank balances disposed of	(18,929)
Net outflow of cash and cash equivalents in respect of the disposals of subsidiaries	(8,149)

36. DISPOSALS OF SUBSIDIARIES (CONTINUED)

The net assets (liabilities) of the subsidiaries at the respective date of disposal were as follows:

	OT Taiwan	OT Korea	Holicbuy HK Group	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets (liabilities) disposed of:				
Property, plant and equipment	122	428	79	629
Deferred tax assets	89	114	–	203
Trade receivables	5,087	6,719	23	11,829
Other receivables, deposits and prepayments	239	946	569	1,754
Amounts due from the Group	3,016	1,145	–	4,161
Amounts due from associates and joint ventures	234	119	–	353
Pledged bank deposits	360	2,187	–	2,547
Bank balances and cash	12,164	6,329	436	18,929
Trade and other payables	(4,464)	(6,587)	(603)	(11,654)
Amounts due to the Group	(527)	(351)	(7,885)	(8,763)
Amounts due from associates and joint ventures	(3)	(27)	–	(30)
Tax payables	(187)	(251)	–	(438)
Deferred tax liabilities	(14)	–	–	(14)
	16,116	10,771	(7,381)	19,506
Gain on disposal is calculated as follows:				
Cash	7,738	842	2,200	10,780
Other receivables	7,739	–	1,500	9,239
Net (assets) liabilities of subsidiaries disposed of	(16,116)	(10,771)	7,381	(19,506)
Fair value of 48% retained interest in an associate	–	13,467	–	13,467
Non-controlling interests previously recognised	–	5,278	(2,160)	3,118
Translation reserve reclassified to profit or loss	334	(536)	–	(202)
Reversal of withholding tax on undistributed profits	2,553	873	–	3,426
Capital reserve related to acquisition of shares from non-controlling interests	–	–	(208)	(208)
	2,248	9,153	8,713	20,114
Satisfied by:				
Cash	7,738	842	2,200	10,780
Other receivables	7,739	–	1,500	9,239
	15,477	842	3,700	20,019

During the year ended 31 December 2017, net profit of HK$1,435,000 attributed by the disposed subsidiaries have been included in the Group's consolidated statement of profit or loss.

Other than the considerations received from the disposals of subsidiaries, the disposed subsidiaries had no significant contribution to the Group's operating, investing and financing cash flows for the year ended 31 December 2017.

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

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

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017	**2016**
	HK$'000	*HK$'000*
Financial assets		
Held for trading investment	1,017	995
Available-for-sale investments	–	16,237
Loans and receivables (including cash and cash equivalents)	1,044,922	784,646
Financial liabilities		
Amortised cost	639,660	445,783

(b) Financial risk management objectives and policies

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

38. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Market risk

Interest rate risk

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

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

Interest rate sensitivity analysis

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

If interest rate had been of 50 basis points higher/lower and all other variables held constant, the Group's post-tax profit would decrease/increase by HK$751,000 (2016: decrease/increase by HK$607,000) for the year ended 31 December 2017.

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

38. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Market risk (Continued)

Currency risk

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

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

	2017 *HK$'000*	2016 *HK$'000*
Assets		
US$	332,733	281,502
RMB	25,810	15,183
EUR	787	54
SGD	19	41
IDR	5,194	4,099
CAD	866	909
Liabilities		
US$	28,574	17,892
RMB	3,822	2,335
EUR	7,104	4,566
IDR	1,842	1,884
CAD	1,043	1,043
GBP	1,184	1,951

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

Amounts due (to) from group entities

	2017 *HK$'000*	2016 *HK$'000*
US$	(73,685)	(53,870)
RMB	(48,237)	(46,882)
EUR	(8,053)	(1,769)

38. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Market risk (Continued)

Currency risk (Continued)

Currency risk sensitivity analysis

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

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

(Decrease) increase in the profit

	2017 *HK$'000*	**2016** *HK$'000*
US$ impact	(2,146)	(3,033)
RMB impact	5,342	2,066
EUR impact	1,304	381

Price risk

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

If the market price of the held for trading investments had been 7% higher/lower while all other variables were held constant, the Group's post-tax profit after tax for the year ended 31 December 2017 would increase/decrease by HK$59,000 (2016: HK$58,000).

38. FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Credit risk

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

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

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

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

(iii) Liquidity risk

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

The Group relies on bank borrowings and advance from related companies as significant sources of liquidity during the reporting period. The Group has available unutilised borrowing facilities of HK$87,658,000 (2016: HK$123,796,000) as at 31 December 2017.

38. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk (Continued)

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

	Weighted average effective interest rate	On demand	Less than 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31.12.2017							
Non-derivative financial liabilities							
Trade and other payables	–	22,649	432,365	–	3,153	458,167	458,167
Amounts due to associates	–	1,723	–	–	–	1,723	1,723
Bank borrowings	2.88	179,770	–	–	–	179,770	179,770
Obligations under finance leases	2.41	–	187	187	106	480	648
		204,142	432,552	187	3,259	640,140	640,308
31.12.2016							
Non-derivative financial liabilities							
Trade and other payables	–	14,029	283,063	–	3,021	300,113	300,113
Amount due to an associate	–	270	–	–	–	270	270
Bank borrowings	2.72	145,400	–	–	–	145,400	145,400
Obligations under finance leases	3.50	–	264	264	303	831	792
		159,699	283,327	264	3,324	446,614	446,575

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

38. FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Liquidity risk (Continued)

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

	Less than 6 months *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 December 2017	82,570	82,570	82,069
As at 31 December 2016	49,157	49,157	48,897

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

(c) Fair value measurements of financial instruments

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

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

	Level 1 *HK$'000*	Level 2 *HK$'000*	Total *HK$'000*
At 31 December 2017			
Held for trading investment	1,017	–	1,017
At 31 December 2016			
Available-for-sale investments	–	16,237	16,237
Held for trading investment	995	–	995

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

Financial assets	Fair value 2017 *HK$'000*	Fair value 2016 *HK$'000*	Fair value hierarchy	Valuation technique(s) and key input(s)
Held for trading investment – Quoted investment fund *(note 23)*	1,017	995	Level 1	Quoted market bid price
Available-for-sale investments	–	16,237	Level 2	Latest transaction price

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

39. RETIREMENT BENEFIT PLANS

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

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

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

During the year ended 31 December 2017, the total cost charged to profit or loss of HK$25,531,000 (2016: HK$26,935,000) represents contributions payable to these schemes by the Group. As at 31 December 2017 and 31 December 2016, contributions of HK$3,587,000 and HK$3,898,000 respectively due in respect of the reporting period had not been paid over to the schemes.

40. PLEDGE OF ASSETS

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

	2017	**2016**
	HK$'000	*HK$'000*
Trade receivables	120,713	119,615
Held for trading investment	1,017	995
Pledged bank deposits	8,472	10,747
	130,202	131,357

41. OPERATING LEASES

The Group as a lessor

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

	2017 *HK$'000*	**2016** *HK$'000*
Within one year	10,298	1,655
In the second to fifth year inclusive	36,268	78
	46,566	1,733

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

The Group as a lessee

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

	2017 *HK$'000*	**2016** *HK$'000*
Within one year	53,122	50,509
In the second to fifth year inclusive	80,794	92,432
Over five years	–	1,140
	133,916	144,081

As at 31 December 2017, included in the above future minimum lease payments for related companies are HK$3,382,500 (2016: HK$8,672,100).

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

42. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

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

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil, representing none of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on its listing date on 11 July 2014, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of specific categories of options are as follows:

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

	Number of share options
Outstanding as at 1 January 2016	2,882,000
Lapse of share options due to departure of an employee	(100,000)
Outstanding as at 31 December 2016 and 1 January 2017	2,782,000
Exercise of share options	(1,466,000)
Cancellation of share options*	(1,316,000)
Outstanding as at 31 December 2017	–

* Options were granted on 26 January 2015.

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$403,000 (2016: HK$467,000).

44. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following related party transactions:

	2017 *HK$'000*	**2016** *HK$'000*
Fellow subsidiary		
YTO Courier (Hong Kong) Company Limited		
– Courier expenses paid	5	–
Associates		
OT Bangladesh		
– Freight income received	101	361
– Freight charge paid	38,232	27,908
OT WW Dubai		
– Freight income received	2,576	1,222
– Freight charge paid	3,812	1,306
– Management fee income received	1,068	253
OT Abu Dhabi		
– Freight income received	67	82
– Freight charge paid	1	26
– Management fee income	30	3
VGL HK		
– Freight income received	355	906
– Freight charge paid	131	306
– Management fee income received	24	27
– Loan interest income	25	25
VGL China		
– Freight income received	2,430	1,555
– Freight charge paid	98	763
– Management fee income received	24	47
OT Sri Lanka		
– Freight income received	327	115
– Freight charge paid	8,216	7,851
– Management fee income received	502	302
OT Korea (from 1 November 2017)		
– Freight income received	354	–
– Freight charge paid	844	–
– Management fee income received	189	–
Joint venture		
OTX Logistics Rotterdam B.V.		
– Freight income received	40,237	29,774
– Freight charge paid	3,334	3,021
Related companies controlled by Mr. Lam		
First Choice International Limited		
– Rental expenses	380	1,140
On Good Development Limited		
– Rental expenses	1,819	1,835

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017 *HK$'000*	2016 *HK$'000*
Staff costs excluding retirement benefit contributions	15,703	14,362
Retirement benefit contributions	396	423
	16,099	14,785

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

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 *HK$'000*	2016 *HK$'000*
Non-current asset		
Interest in a subsidiary *(note i)*	461,818	446,221
Current assets		
Other receivables and prepayments	428	306
Amount due from immediate holding company	1,245	–
Bank balances and cash	12,138	33,865
	13,811	34,171
Current liability		
Other payables	8,484	6,926
Amount due to an associate	109	–
	8,593	6,926
Net current assets	**5,218**	**27,245**
Total assets less current liability	**467,036**	**473,466**
Capital and reserves *(note ii)*		
Share capital	41,427	41,280
Reserves	425,609	432,186
	467,036	**473,466**

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

Notes:

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

(ii) Capital and reserves

	Share capital	Share premium	Share options reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	41,457	419,898	524	1,746	463,625
Profit for the year	–	–	–	16,649	16,649
Total comprehensive income for the year	–	–	–	16,649	16,649
Repurchase and cancellation of ordinary shares	(177)	–	–	–	(177)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(1,850)	–	–	(1,850)
Recognition of equity settled share-based payment	–	–	585	–	585
Lapse of equity settled share-based payment	–	–	(19)	19	–
Dividend paid to shareholders *(note 13)*	–	–	–	(5,366)	(5,366)
At 31 December 2016	41,280	418,048	1,090	13,048	473,466
Profit for the year	–	–	–	7,433	7,433
Total comprehensive income for the year	–	–	–	7,433	7,433
Issue of shares upon exercise of share options	147	2,868	(596)	–	2,419
Recognition of equity-settled share-based payment	–	–	40	–	40
Cancellation of share options	–	–	(534)	534	–
Dividend paid to shareholders *(note 13)*	–	–	–	(16,322)	(16,322)
At 31 December 2017	41,427	420,916	–	4,693	467,036

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2017 and 31 December 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2017	2016	Place of operation	Principal activities
Gold Forum International Limited	The BVI 3 May 2011	US$50,000	100%	100%	Hong Kong	Investment holding
Harbour Zone Limited	The BVI 4 January 2011	US$50,000	100%	100%	Hong Kong	Investment holding
Jumbo Channel Limited	The BVI 4 May 2011	US$50,000	100%	100%	Hong Kong	Investment holding
OT BVI	The BVI 3 March 2011	US$50,000	100%	100%	Hong Kong	Investment holding
On Time Worldwide Logistics Cambodia Co., Ltd. (formerly known as On Time Worldwide Logistics Limited)	Cambodia 4 November 2010	KHR4,000,000	100%	100%	Cambodia	Provision of freight forwarding services
OTX Logistics Canada Limited	Canada 15 April 2011	CAD10	51%	51%	Canada	Provision of freight forwarding services
Champion Kind Limited 聯恩有限公司 ("Champion Kind")	Hong Kong 10 July 2015	HK$800,000	N/A *(note 1)*	55%	Hong Kong	Investment holding
Citynet 聯城物流環球有限公司	Hong Kong 17 September 1999	HK$2	100%	100%	Hong Kong	General sales agency
eTotal Solution Limited	Hong Kong 9 June 2015	HK$3,000,000	100%	100%	Hong Kong	Provision of freight forwarding service
Holicbuy Company Limited 海品滙有限公司	Hong Kong 30 May 2014	HK$10,000	N/A *(note 1)*	70%	Hong Kong	E-commerce and investment holding
Mega Glory International Trading Limited 白匯團際貿易有限公司 ("Mega Glory")	Hong Kong 22 May 2015	HK$10,000	N/A *(note 2)*	51%	Hong Kong	Inactive
Mega Wise Group Limited 百睿集團有限公司 ("Mega Wise")	Hong Kong 6 November 2015	HK$3,800,000	N/A *(note 2)*	51%	Hong Kong	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2017	2016	Place of operation	Principal activities
On Time Aviation Services Limited 先達航材服務有限公司	Hong Kong 11 April 2011	HK$10,000	100%	100%	Hong Kong	Contract Logistic and investment holding
OT HK 先達國際貨運有限公司	Hong Kong 18 July 1995	HK$20,000,000	100%	100%	Hong Kong	Provision of freight forwarding services and investment holding
On Line Service Limited	Hong Kong 17 December 2009	HK$10,000	100%	100%	Hong Kong	Investment holding
OT SL HK 先達航運有限公司	Hong Kong 15 September 2004	HK$10,000	100%	100%	Hong Kong	Issuing of bills of lading
On Time Worldwide Limited	Hong Kong 12 July 2011	HK$10,000	75%	75%	Hong Kong	Provision of freight forwarding services
OT WW HK 先達環球物流有限公司	Hong Kong 30 April 2004	HK$500,000	100%	100%	Hong Kong	Provision of warehousing services
On Union HK 安聯管理有限公司	Hong Kong 8 December 2003	HK$10,000	100%	100%	The PRC	Properties holding
On Time International Logistics Private Limited	India 12 January 2010	INR33,146,690	100%	100%	India	Provision of freight forwarding services
PT. On Time Express	Indonesia 22 February 2000	US$200,000	95%	95%	Indonesia	Provision of freight forwarding services
On Time Worldwide Logistics Ltd.	Japan 28 November 2011	JPY20,000,000	100%	100%	Japan	Provision of freight forwarding brokerage services
OT Korea	Korea 20 January 2006	KRW300,000,000	48% *(note 3)*	51%	Korea	Provision of freight forwarding services
City Net Global Cargo Sdn. Bhd.	Malaysia 2 April 2012	RM100	100%	100%	Malaysia	Inactive

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2017	2016	Place of operation	Principal activities
On Time International Logistics Sdn. Bhd. ("OT Int'l Malaysia")	Malaysia 4 December 2002	RM230,000	60% *(note 4)*	60%	Malaysia	Inactive
On Time Worldwide Logistics Sdn. Bhd.	Malaysia 25 November 2004	RM1,500,000	100%	100%	Malaysia	Provision of freight forwarding services
先達國際貨運(上海)有限公司@ OT China*	The PRC 10 October 2004	RMB12,000,000	100%	100%	The PRC	Provision of freight forwarding services
深圳前海易達跨境電子商務有限公司@ eTotal Solution Co. Ltd.* ("eTotal China")	The PRC 26 July 2016	–	100%	100%	The PRC	Provision of freight forwarding services
深圳市前海海品滙電子商務有限公司@ Holicbuy Company Limited* ("Holicbuy China")	The PRC 19 August 2016	–	N/A *(note 1)*	100%	The PRC	Inactive
On Time Worldwide Logistics Pte. Ltd. ("OT Singapore")	Singapore 22 June 2006	SGD110,000	100%	100%	Singapore	Provision of freight forwarding services
OT Taiwan	Taiwan 8 December 2005	TWD7,500,000	N/A *(note 5)*	100%	Taiwan	Provision of freight forwarding services
OTX Logistics Korlátolt Felelösségü Társaság ("OTX Hungary")	Hungary 15 February 2017	HUF3,000,000	100% *(note 6)*	N/A	Hungary	Provision of freight forwarding services
Total Chain Limited ("Total Chain HK")	Hong Kong 17 March 2017	HK$10,000	100% *(note 7)*	N/A	Hong Kong	Provision of freight forwarding services
Best Loader Logistics Company Limited ("Best Loader HK")	Hong Kong 29 July 2014	HK$1,000,000	100% *(note 8)*	N/A	Hong Kong	Provision of freight forwarding services
翼尊國際貨運代理(上海)有限公司@ Best Loader Shanghai*	The PRC 19 May 2016	RMB5,000,000	100% *(note 8)*	N/A	The PRC	Provision of freight forwarding services

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2017	Equity interest attributable to the Group 2016	Place of operation	Principal activities
On-Time Worldwide Logistics Limited ("OT Thailand")	Thailand 4 January 2006	THB10,000,000	82.5% *(note 9)*	82.5% *(note 9)*	Thailand	Agent for provision of freight forwarding services
OTX Logistics Holland	The Netherlands 28 May 1998	EUR86,300	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Solutions Holland	The Netherlands 19 April 2006	EUR18,000	60% *(note 10)*	45% *(note 10)*	The Netherlands	Provision of freight forwarding services
Westpoort Recon B.V.	The Netherlands 17 December 1993	EUR18,151	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Logistics Inc.	USA 1 October 2011	US$2,000,000	100%	100%	USA	Provision of freight forwarding services
On Time Worldwide Logistics DWC-LLC	The United Arab Emirates 25 April 2012	AED300,000	100%	100%	Dubai	Provision of freight forwarding services
On Time Worldwide Logistics (Vietnam) Co., Ltd. ("OT Vietnam")	Vietnam 22 December 2005	US$80,000	100% *(note 11)*	100% *(note 11)*	Vietnam	Provision of freight forwarding services

* The English name is translated for identification purpose only.

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

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

1. 100% of the equity interest of Holicbuy Company Limited was disposed by OT BVI to independent third party on 31 October 2017. Holicbuy Company Limited and its subsidiaries, Champion Kind and Holicbuy China ceased to be subsidiaries of the Group.

2. Mega Glory and Mega Wise were deregistered on 20 July 2017.

3. 3% of the equity interest of OT Korea was disposed by OT BVI to independent third party on 1 November 2017. OT Korea ceased to be a subsidiary of the Group and became an associate of the Group.

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

5. 100% of the equity interest of OT Taiwan was disposed by OT BVI to independent third party on 20 October 2017. OT Taiwan ceased to be a subsidiary of the Group.

6. OTX Hungary was incorporated in Hungary as a limited company on 15 February 2017.

7. On 25 April 2017, 100% of the equity interest of Total Chain HK was acquired at a consideration of HK$1. Total Chain HK became a subsidiary of the Group.

8. On 5 May 2017, 100% of the equity interest of Best Loader HK and Best Loader Shanghai were acquired at considerations of HK$3,000,000 and HK$27,000,000 respectively from independent third party. Best Loader HK and Best Loader Shanghai became subsidiaries of the Group.

9. 33.5% of the equity interest in OT Thailand is held by a third party on behalf of the Group through loan assignment, share pledge agreement, letter of undertaking and proxy entered by the third party and the Group.

10. OTX Solutions Holland was a wholly-owned subsidiary of OTX Logistics Holland as at 31 December 2011. In 2012, OTX Logistics Holland disposed of 40% interest in OTX Solutions Holland. Following the disposal, OTX Solutions Holland is owned as to 45% by the Group. On 10 July 2017, OTX Logistics Holland acquired 20% of the equity interest of OTX Solutions Holland. Following the acquisition, OTX Solutions Holland is owned as to 60% by the Group.

11. 49% of the equity interest in OT Vietnam is held by a third party on behalf of the Group through loan agreement, charter capital mortgage agreement, letter of undertaking and proxy entered by the third party and the Group.

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

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

47. SUBSEQUENT EVENTS

On 9 March 2018, Jumbo Channel Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "SPA") with T.Y.D. Holding B.V., pursuant to which T.Y.D. Holding B.V. has conditionally agreed to sell, and Jumbo Channel Limited has conditionally agreed to purchase, 21,575 ordinary shares of €1 each in OTX Logistics Holland (the "Target Shares"), at the consideration of HK$38,000,000, subject to and in accordance with the terms and conditions of the SPA.

As at the date of this report, OTX Logistics Holland is an indirect non wholly-owned subsidiary of the Company, held as to 75% by Jumbo Channel Limited and 25% by T.Y.D. Holding B.V. Immediately after completion of the sale and purchase of the Target Shares in accordance with the terms and conditions of the SPA, OTX Logistics Holland will become an indirect wholly-owned subsidiary of the Company.

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2017	**2016**	**2015**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	3,670,514	2,867,339	3,223,589	3,468,061	3,161,290
Profit before taxation	123,510	16,036	65,359	91,747	74,047
Income tax expense	22,525	9,733	13,006	26,463	19,072
Profit attributable to owners of the Company	97,501	4,967	49,900	59,573	46,447
Profit attributable to non-controlling interests	3,484	1,336	2,453	5,711	8,528

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	**2016**	**2015**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	136,960	109,233	115,061	107,502	108,513
Current assets	1,100,387	830,996	750,881	809,710	812,955
Total assets	1,237,347	940,229	865,942	917,212	921,468
Current liabilities	665,840	461,344	372,775	453,589	558,219
Total assets less current liabilities	571,507	478,885	493,167	463,623	363,249
Non-current liabilities	17,768	16,245	17,676	18,060	15,989
Net assets	553,739	462,640	475,491	445,563	347,260
Equity					
Share capital	41,427	41,280	41,457	41,500	20,670
Reserves	485,571	393,659	404,734	375,783	299,248
Net assets attributable to owners of the Company	526,998	434,939	446,191	417,283	319,918
Non-controlling interests	26,741	27,701	29,300	28,280	27,342
Total equity	553,739	462,640	475,491	445,563	347,260

GLOSSARY

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

"2018 AGM"	the 2018 AGM to be held on 8 June 2018
"AGM"	annual general meeting of the Company
"Articles"	the amended and restated articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	YTO Express (International) Holdings Limited (formerly known as "On Time Logistics Holdings Limited")
"Company Secretary"	the secretary of the Company
"Corporate Governance Committee"	the corporate governance committee of the Company
"Director(s)"	the director(s) of the Company
"Executive Committee"	the executive committee of the Company
"FY2016"	the year ended 31 December 2016
"FY2017"	the year ended 31 December 2017
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Date"	11 July 2014, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"MD&A"	the Management Discussion and Analysis
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company

"Prospectus"	the prospectus of the Company dated 30 June 2014
"Remuneration Committee"	the remuneration committee of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value HK$0.1 each in the issued share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 21 June 2014
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	United States of America
"YTO Express"	圓通速遞股份有限公司 (YTO Express Group Co., Ltd.*), a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600233), and a controlling Shareholder
"YTO Express Group"	YTO Express and its subsidiaries
"Yuan Jun"	上海圓鈞國際貿易有限公司 (Shanghai Yuan Jun International Trading Company Limited*), a company established in the PRC and a wholly-owned subsidiary of YTO Express, and a controlling Shareholder
"Yuantong Jiaolong"	上海圓通蛟龍投資發展(集團)有限公司 (Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.*), a company established in the PRC and the controlling shareholder of YTO Express which directly held approximately 51.11% of the equity interest in the share capital of YTO Express, and a controlling Shareholder
"%"	per cent

* For identification purposes only