



ON TIME LOGISTICS HOLDINGS LIMITED

先達國際物流控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6123)

**INTERIM REPORT
2014**

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	9
Report on Review of Condensed Consolidated Financial Statements	16
Condensed Consolidated Statement of Profit or Loss	18
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	24
Notes to the Condensed Consolidated Financial Statements	25

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUTHORISED REPRESENTATIVE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPLIANCE ADVISER

RHB OSK Capital Hong Kong Limited

COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

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

AUDITOR

Deloitte Touche Tohmatsu

COMPANY'S WEBSITE

www.ontime-express.com

STOCK CODE

6123

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board (the “Board”) of directors (the “Directors”) of On Time Logistics Holdings Limited (先達國際物流控股有限公司) (the “Company”) is pleased to announce the first unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 (the “Reporting Period”) since the successful listing (the “Listing”) of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 July 2014 (the “Listing Date”). The relevant financial figures for the six months ended 30 June 2013 (the “1H2013”) or other dates/periods are also set out in this report for comparative purposes.

During the Reporting Period, the demand for logistics and freight forwarding services continued to rise. Such growth was in line with market development of the past consecutive years, with total revenue of the global logistics industry having risen at a compound annual growth rate (CAGR) of 8.4% from 2008 to 2013, while revenue of the logistics industry in Asia and North America accounted for over 70% in 2013 alone.

FINANCIAL RESULTS

Supported by the solid performance of the air freight business, the Group recorded revenue of about HK\$1,691.1 million during the Reporting Period (1H2013: about HK\$1,425.9 million), representing a period-on-period rise of about 18.6%. Gross profit amounted to about HK\$255.8 million (1H2013: about HK\$212.0 million), representing a period-on-period increase of about 20.7%. Gross profit margin was about 15.1% (1H2013: about 14.9%), while net profit attributable to owners of the Company rose significantly by about 65.4% period-on-period to about HK\$33.0 million (1H2013: about HK\$20.0 million). The significant increase in net profit was mainly due to the general increase in demand from customers. In particular, the significant increase in revenue was brought by the air freight segment as one of the customers of the Group has substantially increased its volume of shipments during the Reporting Period as compared to the corresponding period of 2013.

SEGMENTAL ANALYSIS

The Group’s core businesses are air and ocean freight forwarding, complemented by the general sales agency business and other services, including warehousing, distribution, customs clearance and contract and ancillary logistics services. The comprehensive service offering enables the Group to meet diverse customers’ needs and provide cross-selling opportunities.

Air Freight

The air freight forwarding business constituted the largest business segment of the Group, representing about 69.7% of the Group’s total revenue during the Reporting Period. It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including honours from the World Cargo Alliance, and “Top Agent Award” from Cathay Pacific Cargo/Dragonair Cargo each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, among others.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

Air Freight (continued)

Leveraging its strong relationship with customers – a number of whom contributed to a substantial increase in shipment volume during the Reporting Period – and strong links with major airlines, the air freight business recorded revenue of about HK\$1,177.9 million (1H2013: about HK\$928.9 million), representing a significant rise of about 26.8% as compared to the corresponding period of 2013. Gross profit of the segment also improved from about HK\$123.6 million in the corresponding period of 2013 to about HK\$160.3 million during the Reporting Period, representing an increase of about 29.7% period-on-period.

In respect of air import and export tonnage, the Group achieved exceptional period-on-period growth of about 9.2% and 17.6% respectively, the result of its established market position and extensive network coverage that includes 54 offices around the world as at 30 June 2014, 44 offices of which are located in 13 Asian countries and territories, comprising Hong Kong, China, Cambodia, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, the United Arab Emirates and Vietnam. This comprehensive geographical presence has enabled the Group to capture increasing market demand globally by leveraging its cross-border advantages. During the Reporting Period, South Asia achieved the most significant increase in air import and export tonnage, surging by about 130.3% and 35.7% respectively. As for China and Hong Kong, the Group experienced a period-on-period increase in gross profit of about 43.3% and 22.6% respectively, which also contributed to the boost in the Group's net profit.

Ocean Freight

Contributing about 26.7% of the Group's total revenue during the Reporting Period, 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 Reporting Period, despite stiff headwinds experienced in the market and slower consumer demand, this segment still managed to achieve revenue growth of about 2.6% period-on-period to about HK\$452.2 million (1H2013: about HK\$440.9 million). However, owing to rising costs, gross profit slipped to about HK\$72.3 million (1H2013: about HK\$74.8 million). Depending on market conditions, the Group sought to transfer such costs to its customers so as to reduce the cost burden and improve the segment's performance. The cost increased significantly in North America due to the potential labour strike in the west coast, the United States leading to increase of general rate or application of peak season surcharge by shipping lines when issuing bill of lading. During the Reporting Period, the ocean freight shipping volume handled by the Group reached 50,288 twenty-foot equivalent unit, representing a decrease of about 3.6% from the corresponding period of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

General Sales Agency Business

The general sales agency (“GSA”) business involves agreements entered between the Group and regional airlines, whereby the Group subsequently acts as a wholesaler of the airlines’ cargo space. During the Reporting Period, despite the termination of one airline appointment, the GSA business managed to perform at a comparable level as the corresponding period of 2013, with revenue of about HK\$1.4 million (1H2013: about HK\$1.5 million). Our revenue generated from GSA recorded as net agency income, therefore our gross profit margin from GSA maintained at 100% during the Reporting Period and 1H2013.

Ancillary and Contract Logistics Services

Accounting for about 1.2% of the Group’s total revenue during the Reporting Period, the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery service for export shipments from the shipper’s location to the outgoing port, delivery of import shipments from arrival at the incoming port to the consignee’s location. It is supported by the Group’s IT platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation to cope with market conditions. Consequently, this business achieved revenue of about HK\$19.8 million (1H2013: about HK\$27.4 million) and gross profit of about HK\$11.0 million (1H2013: about HK\$11.2 million).

Others

The other businesses include combined shipments, trucking and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other businesses recorded revenue of about HK\$39.8 million (1H2013: about HK\$27.1 million) and gross profit of about HK\$10.7 million (1H2013: about HK\$0.9 million). The increase of gross profit for other businesses during the Reporting Period was significantly contributed by the increase of combined shipments.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group’s working capital as at 30 June 2014 was about HK\$307.2 million, representing an increase of about 20.6% from about HK\$254.7 million as at 31 December 2013. The current ratio of the Group improved from about 1.46 times as at 31 December 2013 to about 1.61 times as at 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 30 June 2014, the Group's bank balances and cash amounted to about HK\$135.8 million, representing a decrease of about 17.1% from about HK\$163.9 million as at 31 December 2013. For the Reporting Period, the Group had operating cash inflow of about HK\$10.4 million (1H2013: operating cash outflow of about HK\$18.9 million).

As at 30 June 2014, the Group's outstanding bank borrowings amounted to about HK\$149.1 million (as at 31 December 2013: about HK\$165.4 million). The gearing ratio of the Group was about 36.7% as at 30 June 2014 (as at 31 December 2013: 47.6%). The ratio was calculated as total bank borrowings divided by total equity of the Group. Net debt to equity ratio was about 3.27% as at 30 June 2014 (as at 31 December 2013: 0.45%). The Group will continue to secure financing as and when the need arises.

As at 30 June 2014, guarantee given to banks in respect of banking facilities granted and utilised by a related company in which Mr. Lam Chun Chin, Spencer ("Mr. Lam") and Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch") have beneficial interest amounted to about HK\$25,778,000 (as at 31 December 2013: about HK\$916,000). The guarantee has been subsequently released upon the successful Listing of the Company on the Main Board of the Stock Exchange.

FOREIGN EXCHANGE RISK

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

The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2013. The Group continues to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.

CAPITAL EXPENDITURE COMMITMENTS

The Group did not have any capital expenditure commitments as at 30 June 2014 (as at 31 December 2013: Nil).

CHARGE ON ASSETS

As at 30 June 2014, the Group had pledged bank deposits of about HK\$3.1 million as securities against banking facilities granted to the Group (as at 31 December 2013: about HK\$3.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

To rationalise the current structure of the Group for the Listing, the Company underwent the corporate reorganisation (the “Corporate Reorganisation”), pursuant to which the Company became the holding company of the subsidiaries of the Company now comprising the Group. Details of the Corporate Reorganisation have been set out in the Company’s prospectus dated 30 June 2014 (the “Prospectus”).

Save for the Corporate Reorganisation, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company during the Reporting Period.

PROSPECTS

Looking ahead, the global demand for logistics and freight forwarding services is expected to remain healthy in the medium to long term. According to a market research conducted by a market research institution which was commissioned by the Company, total transportation volume of cargo reached about 79,831.4 million tonnes in 2013 and is expected to reach about 105,592.2 million tonnes by 2016, which indicates considerable market growth potential.

Strengthen Global Presence and Expand Office Network

To capitalise on growing demand, the Group will employ an aggressive market expansion strategy in Asia and the Middle East. This will allow the Group to specifically meet 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 strategic acquisitions.

Enhance Core Businesses with Growth Potential

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (CONTINUED)

Explore E-commerce Opportunities and Bolster IT Capability

As one of the important focus areas of the Group going forward, the Group will continue to explore e-commerce opportunities, such as the possibility of encouraging the cross-selling of goods among its existing direct customers, which currently comprise about 19,000 customers. Those customers engaged in garments, footwear and electronics, which would also be provided with sales opportunities that enable them to tap into new markets, gain new business and attract new customers while relying on the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure, thus delivering benefits to all parties concerned. To expedite development of the e-commerce business, a dedicated team will be established within the second half of 2014, and will possess experience in e-commerce marketing, relevant technical expertise and the capacity to identify products with good online sales potential. The Group will also examine potential acquisitions that enable the e-commerce business to benefit from further integration.

In order to facilitate the Group's aggressive market expansion and enhancement of core businesses with the aim to capture opportunities arising from increasing market demand, the recruitment of more business development personnel will be pursued as well.

It is expected that the Group will implement the above plans by the net proceeds generated from the global offering and the internal resources of the Group.

With greater financial resources on hand, an increasingly robust business model and healthy outlook for the logistics and freight forwarding industry, the management is optimistic about the Group's ability to sustain growth and deliver fair returns to the Company's shareholders.

HUMAN RESOURCES

As at 30 June 2014, the Group employed about 1,060 employees (as at 30 June 2013: about 1,040 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Please refer to the announcement dated 21 July 2014 issued by the Company in relation to the insufficiency of its public float. As set out in the announcement of the Company dated 23 July 2014, the public float of the Company has been restored.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2014. Since the Listing Date and up to the date of this report, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

INTERIM DIVIDEND

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

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the banking facilities (the “Facility Letter”) granted by a bank in Hong Kong to On Time Express Limited (先達國際貨運有限公司) (“OT HK”), an indirect wholly owned subsidiary of the Company, the bank has agreed to grant to OT HK (i) a loan in the sum of HK\$80 million (the “Bridging Loan”) which shall be repayable within one year from drawdown or upon the Listing, whichever is earlier; and (ii) other facilities in the aggregate sum of HK\$60 million which shall be subject to renewal by 15 July 2015. On 7 July 2014, the Group has drawn the Bridging Loan of HK\$36.6 million. As of the date of this report, the Bridging Loan has been fully repaid. The Facility Letter contains a condition which requires Mr. Lam, one of the controlling shareholders of the Company, to remain as the chairman of the Company and the largest single shareholder of the Company with shareholding of no less than 40% in the Company. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in the aggregate sum of HK\$60 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As at 30 June 2014, the total amount of the loan drawn by the Group from these loan agreements and/or banking facilities amounted to about HK\$27.2 million. As of the date of this report, OT HK is in compliance with the Facility Letter.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

REGULATORY COMPLIANCE

As disclosed in the Prospectus, a branch office of OTX Logistics, Inc., an indirect wholly owned subsidiary of the Company, occupied a premises in Houston, Texas, the United States, which is leased to an independent third party by the landlord. Our Group has been paying the rents for the occupation of such premises. Since the Listing Date and up to the date of this report, we have not been requested by such owner to vacate from such premises. We plan to enter into a new lease with the landlord for the premises upon expiry of the existing lease on 30 June 2015.

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 the date of this report, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	The Company/ associated corporation	Capacity/ nature of interest	Number of shares involved (Note 1)	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	The Company	Interest of a controlled corporation (Note 2)	192,000,000 Shares (L)	46.27%
Mr. Hartmut Ludwig Haenisch	The Company	Interest of a controlled corporation (Note 3)	105,000,000 Shares (L)	25.30%
Ms. Cheung Ching Wa, Camy	The Company	Interest of a controlled corporation (Note 4)	3,000,000 Shares (L)	0.72%
Mr. Dennis Ronald de Wit	OTX Logistics B.V.	Interest of a controlled corporation (Note 5)	21,575 Shares (L)	25%

* The percentage represents the number of shares involved divided by the number of the Company's/the relevant associated corporation's issued shares as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

Notes:

1. The letter "L" denotes the Director's long position in the shares of the Company ("Shares") or the shares of the relevant associated corporation.
2. These Shares are held by Golden Strike International Limited ("Lam Investco"), which is wholly owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Lam Investco.
3. These Shares are held by Polaris International Holdings Limited ("Haenisch Investco"), which is wholly owned by Mr. Haenisch. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the Shares held by Haenisch Investco.
4. These Shares are held by Grand Splendour Holdings Limited (廣輝控股有限公司), which is wholly owned by Ms. Cheung Ching Wa, Camy. By virtue of the SFO, Ms. Cheung Ching Wa, Camy is deemed to be interested in the Shares held by Grand Splendour Holdings Limited.
5. These shares are held by T.Y.D. Holding B.V., which is owned as to 75% by Mr. Dennis Ronald de Wit. Mr. Dennis Ronald de Wit is a director of T.Y.D. Holding B.V. By virtue of the SFO, Mr. Dennis Ronald de Wit is deemed to be interested in the shares held by T.Y.D. Holding B.V..

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

Name of shareholder	Capacity/nature of interest	Number of Shares involved (Note 1)	Percentage* of the Company's issued share capital
Lam Investco <i>(Note 2)</i>	Beneficial owner	192,000,000 Shares (L)	46.27%
Ms. Li Wai Fun <i>(Note 2)</i>	Interest of spouse	192,000,000 Shares (L)	46.27%
Haenisch Investco <i>(Note 3)</i>	Beneficial owner	105,000,000 Shares (L)	25.30%
Ms. Haenisch Leung Man San <i>(Note 3)</i>	Interest of spouse	105,000,000 Shares (L)	25.30%
Rays Capital Partners Limited	Investment manager	36,294,000 Shares (L) <i>(Note 4)</i>	8.75%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	24,962,000 Shares (L) <i>(Note 4)</i>	6.01%
Bank of America Corporation <i>(Note 5)</i>	Interest of controlled corporations	22,290,600 Shares (L)	5.37%
Bank of America Corporation <i>(Note 5)</i>	Short position of controlled corporations	22,290,600 Shares (S)	5.37%

* The percentage represents the number of Shares involved divided by the number of the Company's issued Shares as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

1. The letter “L” denotes the person’s or corporation’s long position in the Shares. The letter “S” denotes the corporation’s short position in the Shares.
2. Lam Investco is wholly owned by Mr. Lam and Mr. Lam is the sole director of Lam Investco. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Lam Investco as disclosed in the paragraph headed “Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation” above. Ms. Li Wai Fun is the spouse of Mr. Lam. Under the SFO, Ms. Li Wai Fun is taken to be interested in the same number of Shares in which Mr. Lam is interested.
3. Haenisch Investco is wholly owned by Mr. Haenisch and Mr. Haenisch is the sole director of Haenisch Investco. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the Shares held by Haenisch Investco as disclosed in the paragraph headed “Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation” above. Ms. Haenisch Leung Man San is the spouse of Mr. Haenisch. Under the SFO, Ms. Haenisch Leung Man San is taken to be interested in the same number of Shares in which Mr. Haenisch is interested.
4. Based on the disclosure of interests forms submitted by these substantial shareholders respectively up to the date of this report.
5. Based on the disclosure of interests form submitted by Bank of America Corporation up to the date of this report, the long/short positions were held through certain corporations controlled by Bank of America Corporation.

Save as disclosed above, as at the date of this report, 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.

SHARE OPTION SCHEME

As disclosed in the Prospectus, the Company adopted a share option scheme (the “Scheme”) pursuant to Chapter 17 of the Listing Rules on 21 June 2014. The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Group. No share options have been granted, exercised or cancelled by the Company under the Scheme since its adoption.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

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

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Lam’s strong expertise in the freight forwarding industry, the Board considers that the said two roles being performed by Mr. Lam enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with the code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors’ securities transactions since the Listing Date and up to the date of this report.

AUDIT COMMITTEE

The Company has established an audit committee which comprises the three independent non-executive Directors, namely, Mr. Wong See Ho, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Mr. Wong See Ho is the chairman of the audit committee. The terms of reference of the audit committee comply with the CG Code. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements, provide material advice in respect of financial reporting and oversee the internal control procedures of the Group.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

APPRECIATION

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

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

Hong Kong, 28 August 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ON TIME LOGISTICS HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of On Time Logistics Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 18 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONCLUSION

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

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2013 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	(Unaudited)	
		Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Revenue	3	1,691,147	1,425,855
Cost of sales		<u>(1,435,367)</u>	<u>(1,213,861)</u>
 Gross profit		255,780	211,994
Other income		2,055	2,402
Administrative expenses		<u>(197,506)</u>	<u>(177,525)</u>
Listing expenses		<u>(10,013)</u>	<u>(6,161)</u>
Other gains or losses		<u>(740)</u>	<u>1,712</u>
Share of loss of associates		<u>(310)</u>	<u>(63)</u>
Share of profit of joint ventures		<u>332</u>	<u>160</u>
Finance costs		<u>(2,381)</u>	<u>(2,287)</u>
 Profit before tax		47,217	30,232
Income tax expenses	4	<u>(11,665)</u>	<u>(7,057)</u>
 Profit for the period	5	<u>35,552</u>	<u>23,175</u>
 Profit for the period attributable to:			
Owners of the Company		33,025	19,968
Non-controlling interests		<u>2,527</u>	<u>3,207</u>
		<u>35,552</u>	<u>23,175</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
Basic		<u>11.50</u>	<u>7.01</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	(Unaudited)	
	Six months ended 30 June	2014
	HK\$'000	HK\$'000
Profit for the period	35,552	23,175
 Other comprehensive income (expense), net of income tax		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation increase on leasehold land and buildings	1,478	2,048
Deferred tax liability arising on revaluation of leasehold land and buildings	(387)	(322)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of reserve of associates	(1)	–
Share of reserve of joint ventures	(41)	(57)
Exchange differences arising from overseas operations	(1,167)	(1,970)
 Other comprehensive expense for the period	(118)	(301)
 Total comprehensive income for the period	35,434	22,874
 Total comprehensive income for the period attributable to:		
Owners of the Company	33,147	20,203
Non-controlling interests	2,287	2,671
 35,434	22,874	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	(Unaudited) At 30 June 2014	(Audited) At 31 December 2013
		HK\$'000	HK\$'000
Non-current assets			
Investment properties	8	8,261	7,809
Property, plant and equipment	9	51,140	51,293
Goodwill		17,942	18,111
Intangible assets	9	29,534	21,773
Interests in associates		61	61
Interests in joint ventures		4,483	4,193
Loans receivables – due after one year		4,882	4,834
Trade and bills receivables – due after one year	10	–	101
Deferred tax assets		394	338
		<hr/> 116,697	<hr/> 108,513
Current assets			
Trade and bills receivables	10	525,213	549,780
Other receivables, deposits and prepayments		85,957	69,528
Held-for-trading investments		1,083	1,086
Derivative financial instruments		–	51
Loans receivables – due within one year		2,111	2,131
Amounts due from joint ventures	17	5,367	3,248
Amounts due from associates	17	2,304	–
Amounts due from directors	17	42,382	15,011
Amounts due from related companies	17	1,043	1,052
Loan to an associate	17	–	388
Loans to related companies	17	–	677
Prepaid tax		2,463	2,412
Pledged bank deposits		3,072	3,706
Bank balances and cash		135,799	163,885
		<hr/> 806,794	<hr/> 812,955

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2014

	NOTES	(Unaudited) At 30 June 2014	(Audited) At 31 December 2013
		HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	11	340,155	378,889
Amount due to an associate	17	–	543
Amount due to a related company	17	175	535
Amount due to a director	17	34	969
Tax liabilities		9,755	11,253
Obligations under finance leases – due within one year	12	357	584
Bank borrowings – due within one year	13	149,097	165,446
		<u>499,573</u>	<u>558,219</u>
Net current assets		<u>307,221</u>	<u>254,736</u>
Total assets less current liabilities		<u>423,918</u>	<u>363,249</u>
Non-current liabilities			
Trade and other payables – due after one year	11	1,916	1,565
Obligations under finance leases – due after one year	12	556	1,033
Deferred tax liabilities		<u>14,692</u>	<u>13,391</u>
		<u>17,164</u>	<u>15,989</u>
		<u>406,754</u>	<u>347,260</u>
Capital and reserves			
Share capital	14	200	20,670
Reserves		<u>377,841</u>	<u>299,248</u>
Net assets attributable to owners of the Company		<u>378,041</u>	<u>319,918</u>
Non-controlling interests		<u>28,713</u>	<u>27,342</u>
Total equity		<u>406,754</u>	<u>347,260</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000 (note b)		Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
						Statutory reserve HK\$'000	Translation reserve HK\$'000				
At 1 January 2013 (audited)	20,909	-	203	-	3,218	2,136	6,441	260,505	293,412	18,385	311,797
Profit for the period	-	-	-	-	-	-	-	19,968	19,968	3,207	23,175
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	2,048	-	2,048	-	2,048
Deferred tax liability arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	(322)	-	(322)	-	(322)
Share of reserve of joint ventures	-	-	-	-	(57)	-	-	-	(57)	-	(57)
Exchange differences arising from overseas operations	-	-	-	-	(1,434)	-	-	-	(1,434)	(536)	(1,970)
Total comprehensive income for the period	-	-	-	-	(1,491)	-	1,726	19,968	20,203	2,671	22,874
Share issued upon incorporation	100	-	-	-	-	-	-	-	100	-	100
Transfer to statutory reserve	-	-	-	-	-	343	-	(343)	-	-	-
At 30 June 2013 (unaudited)	21,009	-	203	-	1,727	2,479	8,167	280,130	313,715	21,056	334,771
Profit for the period	-	-	-	-	-	-	-	26,479	26,479	5,321	31,800
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	687	-	687	-	687
Deferred tax liability arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	(84)	-	(84)	-	(84)
Share of reserve of associates	-	-	-	-	4	-	-	-	4	-	4
Share of reserve of joint ventures	-	-	-	-	210	-	-	-	210	-	210
Exchange differences arising from overseas operations	-	-	-	-	3,883	-	-	-	3,883	1,341	5,224
Total comprehensive income for the period	-	-	-	-	4,097	-	603	26,479	31,179	6,662	37,841
Special reserve arising from Corporation Reorganisation (note a)	(339)	241	-	98	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(14)	(14)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(362)	(362)
Dividend recognised as distribution	-	-	-	-	-	-	-	(24,976)	(24,976)	-	(24,976)
Transfer to statutory reserve	-	-	-	-	-	566	-	(566)	-	-	-
At 31 December 2013 (audited)	20,670	241	203	98	5,824	3,045	8,770	281,067	319,918	27,342	347,260

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company										
							Property				Non-controlling
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	valuation HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000	interests HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	20,670	241	203	98	5,824	3,045	8,770	281,067	319,918	27,342	347,260
Profit for the period	-	-	-	-	-	-	-	33,025	33,025	2,527	35,552
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	1,478	-	1,478	-	1,478
Deferred tax liability arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	(387)	-	(387)	-	(387)
Share of reserve of associates	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Share of reserve of joint ventures	-	-	-	-	(41)	-	-	-	(41)	-	(41)
Exchange differences arising from overseas operations	-	-	-	-	(927)	-	-	-	(927)	(240)	(1,167)
Total comprehensive income for the period	-	-	-	-	(969)	-	1,091	33,025	33,147	2,287	35,434
Special reserve arising from Corporation Reorganisation (note c)	(20,480)	315,989	-	(295,509)	-	-	-	-	-	-	-
Capitalisation of shareholders' loan	10	24,966	-	-	-	-	-	-	24,976	-	24,976
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(916)	(916)
Transfer to statutory reserve	-	-	-	-	-	1,409	-	(1,409)	-	-	-
At 30 June 2014 (unaudited)	200	341,196	203	(295,411)	4,855	4,454	9,861	312,683	378,041	28,713	406,754

Notes:

- (a) Special reserve represents the difference between the net assets value of On Time Worldwide Logistics Limited ("OT BVI") amounting to HK\$291,000 and the share capital of OT BVI amounting to HK\$389,000 as at 31 July 2013 on which the Company acquired the entire equity interest in OT BVI by issue of 50,000 shares at HK\$0.1 each upon Group Reorganisation (*details are set out in note 1*).
- (b) Statutory reserve represents general and development fund reserve of subsidiaries in the People's Republics of China (the "PRC"), Taiwan and the Netherlands required in accordance with the laws and regulations in the relevant jurisdictions.
- (c) Special reserve represents 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 Group Reorganisation (*details are set out in note 1*).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

	(Unaudited)	30 June 2014	30 June 2013
	HK\$'000	HK\$'000	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	10,418	(18,901)	
 INVESTING ACTIVITIES			
Interest received	500	670	
Purchase of properties, plant and equipment	(3,458)	(6,983)	
Purchase of intangible assets	(9,350)	–	
Proceeds on disposal of property, plant and equipment	257	285	
Advance made on loans receivables	–	(1,143)	
Repayment from an associate	388	–	
(Advance to) repayment from a joint venture	(736)	783	
Advance to an associate	(2,033)	–	
Advance to a related company	(1)	–	
Repayment from directors	100	–	
Withdrawal of pledged bank deposits	1,278	1,070	
Placement of pledged bank deposits	(553)	(10,070)	
Repayment from related companies	687	–	
 NET CASH USED IN INVESTING ACTIVITIES	 (12,921)	 (15,388)	
 FINANCING ACTIVITIES			
Interest paid	(2,381)	(2,287)	
Decrease in bank overdrafts	(13,322)	(8,875)	
(Decrease) increase in factoring loans	(683)	14,874	
New bank borrowing raised	74,555	95,258	
Repayment of bank borrowing	(76,993)	(54,409)	
Advance from directors	–	159	
Repayment to directors	(3,450)	(7,734)	
Repayment to related parties	(360)	–	
Dividend paid to non-controlling interest of the subsidiaries	(916)	–	
Advance from related companies	–	143	
Repayment of obligation under finance leases	(908)	(491)	
Capital injection from non-controlling interests of subsidiaries	–	100	
 NET CASH (USED IN) FROM FINANCING ACTIVITIES	 (24,458)	 36,738	
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 (26,961)	 2,449	
 CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	 163,885	 160,054	
Effect of foreign exchange rate changes	(1,125)	1,414	
 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	 135,799	 163,917	
 ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	135,799	163,917	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. CORPORATE REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 March 2013 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited with effect from 11 July 2014. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” of the interim report.

Prior to the corporate reorganisation (the “Corporation Reorganisation”) to rationalise the Group’s structure in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited, except for Citynet OT WW HK, OT SL HK and On Union HK, all other group entities are held directly or indirectly by either OT HK or OT BVI. Citynet, OT WW HK, OT SL HK, On Union HK, OT HK and OT BVI are ultimately collectively controlled by Mr. Lam Chun Chin, Spencer (“Mr. Lam”) and Mr. Hartmut Ludwig Haenisch (“Mr. Haenisch”) (collectively the “Ultimate Controlling Shareholders”). On 31 July 2013, as part of the Corporate Reorganisation, the Company acquired the entire equity interest in OT BVI by issue of 500,000 shares at HK\$0.1 each. On 31 March 2014, the Company acquired the entire equity interest in each of Citynet, OT WW HK, OT SL HK and On Union HK, through OT BVI, at a consideration of 8 shares in the Company. On the same date, the Company acquired the entire equity interest in OT HK, through OT BVI, at a consideration of 399,992 shares in the Company. As a result, the Company becomes the holding company of the companies now comprising the Group on 31 March 2014. Details of the Corporate Reorganisation are set out in the paragraph headed “History, Reorganisation and corporate Structure – Corporate Restructuring” to the prospectus of the Company dated 30 June 2014 (“Prospectus”).

The Corporate Reorganisation completed on 31 March 2014 was regarded as a reorganisation of companies under common control. Accordingly, the Group resulting from the Corporate Reorganisation including the Company and its subsidiaries is regarded as a continuing entity. The condensed consolidated financial statements are prepared using merger accounting as if the Corporation Reorganisation had been in existence from the date when the combining entities first came under the control of the Ultimate Controlling Shareholders.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's combined financial information for the year ended 31 December 2013 included in the Prospectus.

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

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Contribution of Hedge Accounting
HK (IFRIC) – Int 21	Levies

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

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company consider that the application of these amendments to HKAS 36 have no financial impact on the Group's condensed consolidated financial statements.

Except as described above, the application of the other new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. SEGMENT INFORMATION (CONTINUED)

a. Segment revenue and results

	(Unaudited) Segment revenue		(Unaudited) Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Operating and reportable segment				
Air freight	1,177,911	928,888	126,815	92,288
Ocean freight	452,173	440,945	55,606	60,507
General sales agency	1,411	1,483	852	689
Logistics	19,803	27,396	5,563	4,567
Others	39,849	27,143	10,741	912
Total	<u>1,691,147</u>	<u>1,425,855</u>	<u>199,577</u>	<u>158,963</u>
Share of loss of associates			(310)	(63)
Share of profit of joint ventures			332	160
Other income			2,055	2,402
Other gains or losses			(740)	1,712
Unallocated corporate expenses			(151,316)	(130,655)
Finance costs			(2,381)	(2,287)
Profit before tax			<u>47,217</u>	<u>30,232</u>

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

b. Segment assets and liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. SEGMENT INFORMATION (CONTINUED)

c. Geographic information

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

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	736,926	615,660
PRC	259,133	201,981
Other Asia Regions	276,294	237,652
The Netherlands	233,531	189,525
North America	<u>185,263</u>	<u>181,037</u>
	<u>1,691,147</u>	<u>1,425,855</u>

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

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	52,046	37,739
PRC	10,719	11,317
Other Asia Regions	3,884	5,570
The Netherlands	42,612	43,780
North America	<u>2,498</u>	<u>2,259</u>
	<u>111,759</u>	<u>100,665</u>

Note: Non-current assets exclude interests in associates, interests in joint ventures and deferred tax assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

4. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	3,710	3,023
– Enterprise Income Tax in the PRC	2,431	26
– Dutch Corporate Income Tax	1,501	2,016
– Indonesian Corporate Income Tax	258	418
– Vietnam Corporate Income Tax	870	516
– Other Jurisdictions	<u>1,731</u>	<u>801</u>
	<u>10,501</u>	<u>6,800</u>
(Over) under provision in respect of prior years		
– Vietnam Corporate Income Tax	–	(15)
– Other Jurisdictions	<u>249</u>	<u>163</u>
	<u>249</u>	<u>148</u>
Deferred taxation	<u>915</u>	<u>109</u>
	<u>11,665</u>	<u>7,057</u>

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

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

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

Indonesian Corporate Income Tax is calculated at 25% of the estimated assessable profit during the period.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. PROFIT FOR THE PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
HK\$'000	HK\$'000	
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	4,707	4,460
Amortisation of intangible assets	1,396	1,301
Impairment loss on trade receivables	3,638	1,609
Net exchange loss (gain)	1,163	(1,444)

6. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit attributable to owners of the Company and the weighted average number of 287,154,696 (six months ended 30 June 2013: 285,000,000) ordinary shares in issue during the period on the assumption that the Corporate Reorganisation has been effective on 1 January 2013 and has been retrospectively adjusted to reflect the capitalisation issue of 298,000,000 ordinary shares of HK\$0.10 each of the Company on 10 July 2014.

No diluted earnings per share has been presented as there were no outstanding potential ordinary shares during the six months ended 30 June 2014 and 30 June 2013.

7. DIVIDEND

Pursuant to the written resolution passed by all shareholders of the Company dated 7 July 2014, a special dividend of HK\$97,000,000, representing HK\$48.50 per ordinary share was declared on 7 July 2014 to all shareholders whose names appear on the register of members of the Company on 7 July 2014.

No dividends were paid, declared or proposed during the six months ended 30 June 2014 and 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

8. INVESTMENT PROPERTIES

The Group's investment properties as at the end of the current interim period were fair valued by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. The resulting increase in fair value of investment properties of HK\$516,000 has been recognised directly in profit or loss for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$450,000).

The fair values of the Group's investment properties as at 30 June 2014 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, and there were no transfers into or out of Level 3 during the six months ended 30 June 2014.

9. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

During the six months ended 30 June 2014, the Group acquired property, plant and equipment for a consideration of HK\$3,658,000 (six months ended 30 June 2013: HK\$7,739,000).

During the six months ended 30 June 2014, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$346,000 (six months ended 30 June 2013: HK\$325,000) for cash proceeds of HK\$257,000 (six months ended 30 June 2013: HK\$285,000), resulting in a loss on disposal of HK\$89,000 (six months ended 30 June 2013: HK\$40,000).

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by the directors of the Company as at the end of the current interim period. The Group's leasehold land and buildings were valued by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair value of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available. The resulting revaluation surplus of HK\$1,478,000 has been credited to the properties revaluation reserve during the six months ended 30 June 2014 (six months ended 30 June 2013: revaluation surplus of HK\$2,048,000).

During the six months ended 30 June 2014, the Group acquired intangible assets, representing trademarks from Mr. Lam, for a cash consideration of HK\$9,350,000 (30 June 2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

10. TRADE AND BILLS RECEIVABLES

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

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

	(Unaudited) At 30 June 2014 HK\$'000	(Audited) At 31 December 2013 HK\$'000
0 – 30 days	233,245	265,282
31 – 60 days	162,123	184,993
61 – 90 days	83,022	60,761
91 – 180 days	33,101	26,709
Over 180 days	<u>13,722</u>	<u>12,136</u>
	<u>525,213</u>	<u>549,881</u>
Analysed as:		
– current	525,213	549,780
– non-current	<u>–</u>	<u>101</u>
	<u>525,213</u>	<u>549,881</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

11. TRADE AND OTHER PAYABLES

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

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Within 60 days	212,826	259,903
61 – 180 days	32,949	30,919
181 – 365 days	1,935	1,933
1 – 2 years	<u>2,625</u>	<u>2,814</u>
	<u>250,335</u>	<u>295,569</u>
Trade and other payables analysed as:		
– current	340,155	378,889
– non-current	<u>1,916</u>	<u>1,565</u>
	<u>342,071</u>	<u>380,454</u>

12. OBLIGATIONS UNDER FINANCE LEASES

During the six months ended 30 June 2014, the Group obtained new obligations under finance leases amounting to HK\$200,000 (six months ended 30 June 2013: Nil) and repaid obligations under finance leases amounting to HK\$908,000 (six months ended 30 June 2013: HK\$491,000). The obligations under finance leases carry interest at fixed market rates of ranging from 2.15% to 8.52% and are repayable in instalments over a period of 3 years. The proceeds were used to finance the acquisition of property, plant and equipment.

13. BANK BORROWINGS

During the six months ended 30 June 2014, the Group obtained new bank borrowings amounting to HK\$74,555,000 (six months ended 30 June 2013: HK\$95,258,000) and repaid bank borrowings amounting to HK\$76,993,000 (six months ended 30 June 2013: HK\$54,409,000). The loans carry interest at variable market rates ranging from 2.2% to 8.1% and are repayable by instalments over a period of 4.5 years with a requirement on demand clause. The proceeds were used to finance the general working capital of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

14. SHARE CAPITAL

	NOTES	Number of ordinary shares	Share Capital HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
At 6 March 2013 (date of incorporation) and 31 December 2013			
Increase in authorised share capital on 21 June 2014	<i>a</i> <i>e</i>	3,500,000 1,996,500,000	350 199,650
At 30 June 2014		<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:			
Allotted and issued on 6 March 2013	<i>a</i>	1,000,000	100
Issue of shares upon Corporate Reorganisation on 31 July 2013	<i>b</i>	<u>500,000</u>	<u>50</u>
At 31 December 2013		1,500,000	150
Share issued upon Corporate Reorganisation on 31 March 2014	<i>c</i>	400,000	40
Capitalisation of shareholders' loan on 5 June 2014	<i>d</i>	<u>100,000</u>	<u>10</u>
At 30 June 2014		<u>2,000,000</u>	<u>200</u>

Notes:

- a. The Company was incorporated in the Cayman Islands on 6 March 2013 with authorised share capital of 3,500,000 shares of HK\$0.10 each. Upon its incorporation, 1 ordinary share was allotted and issued. On the same date, an aggregate of 999,999 ordinary shares were further allotted and issued by the Company.
- b. On 31 July 2013, the Company issued 500,000 shares at HK\$0.10 each for the acquisition of OT BVI from the Ultimate Controlling Shareholders.
- c. On 31 March 2014, the Company issued 400,000 shares at HK\$0.10 each for the acquisition of OT HK, Citynet, OT WW HK, OT SL HK and On Union HK from the Ultimate Controlling Shareholders.
- d. On 5 June 2014, the Company issued 100,000 shares at HK\$0.10 each to the Ultimate Controlling Shareholders to settle the shareholders' loan amounting to HK\$24,976,000.
- e. Pursuant to the written resolution passed by all shareholders of the Company on 21 June 2014, the authorised share capital of the Company was increased from HK\$350,000 to HK\$200,000,000 by the creation of 1,996,500,000 additional new shares of HK\$0.10 each in the capital of the Company.

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

The share capital at 31 December 2013 as shown in the condensed consolidated statement of financial position represented the combined share capital of Citynet, OT WW HK, OT SL HK, On Union HK, OT HK and the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

15. CONTINGENT LIABILITIES

At 30 June 2014, the Group had guarantees as follows:

	(Unaudited) At 30 June 2014 HK\$'000	(Audited) At 31 December 2013 HK\$'000
Guarantee given to a bank in respect of banking facilities granted and utilised by a related company in which directors have beneficial interest	25,778	916

In the opinion of the management of the Group, no material liabilities will arise from the above guarantee which arose in the ordinary course of business and fair value of the guarantee granted by the Group is insignificant. The guarantees have been subsequently released after the end of the reporting period.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets	Fair value as at				Valuation techniques and key inputs
	30 June 2014	31 December 2013	Fair value hierarchy		
	HK\$	HK\$			
Held for trading investments	1,083,000	1,086,000	Level 1	Quoted market bid price	
Derivative financial instruments	–	51,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflected the credit risk of various counterparties.	

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

17. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 June 2014, the Group had transactions with related parties as follows:

		(Unaudited)	
		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
(i) Associates			
– Freight income received		134	501
– Freight charge paid		9,706	11,197
– Management fee income		1	–
– Loan interest income		7	11
(ii) Joint ventures			
– Freight income received		14,465	7,312
– Freight charge paid		1,171	1,485
(iii) Related companies with common directors			
First Choice International Limited			
– Rental expenses		510	510
On Good Development Limited			
– Rental expenses		760	760
T.Y.D. Holding B.V.			
– Management fee paid		802	–
(iv) Director			
Mr. Lam			
– Acquisition of trademarks		9,350	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

17. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

		(Unaudited)	(Audited)
		At 30 June 2014	At 31 December 2013
	NOTES	HK\$'000	HK\$'000
(i) Associates			
– Other receivables	<i>a</i>	2,304	–
– Trade payables	<i>b</i>	–	543
– Loans to an associate	<i>c</i>	–	388
(ii) Joint ventures			
– Trade receivables	<i>d</i>	3,771	2,388
– Other receivables	<i>a</i>	1,596	860
(iii) Related Companies			
Other receivables			
– First Choice International Limited	<i>a</i>	1,043	1,042
– On Choice International Limited	<i>a</i>	–	2
– Golden Strike International Limited	<i>a</i>	–	4
– Polaris International Holding Limited	<i>a</i>	–	4
Loan receivable			
– Wellport Limited	<i>e</i>	–	677
Other payables			
– On Good Development Limited	<i>a</i>	175	535
(iv) Directors			
Mr. Lam			
– Other receivables	<i>f</i>	23,302	6,319
Mr. Haenisch			
– Other receivables	<i>f</i>	18,909	8,692
Ms. Cheung Ching Wa, Camy			
– Other receivables	<i>f</i>	171	–
– Other payables	<i>f</i>	–	944
Ms. Wong Pui Wah			
– Other payables	<i>f</i>	34	24

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

17. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Notes:

- a) The amounts are non-interest bearing, unsecured and repayable on demand.
- b) The followings are the aging information of trade balance due to an associate, based on the invoice date at the end of the reporting period:

	(Unaudited)	(Audited)
	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
0 – 60 days	—	543

- c) The loan bore interest at 5.5% per annum, unsecured and repayable on demand.
- d) The following is an aged analysis of trade balances due from joint ventures, based on invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited)	(Audited)
	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
0 – 30 days	2,459	2,250
31 – 60 days	1,312	98
61 – 90 days	—	40
	<hr/>	<hr/>
	3,771	2,388
	<hr/>	<hr/>

- e) The loan was non-interest bearing, unsecured and repayable on demand.
- f) The amounts are non-interest bearing, unsecured, repayable on demand and subsequently settled after the end of the report period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

18. PLEDGED ASSETS

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

	(Unaudited)	(Audited)
	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
Pledged bank deposits	3,072	3,706

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a. Pursuant to the written resolutions passed by all shareholders of the Company dated 21 June 2014, conditional on the share premium account of the Company being credited as a result of the offering of the shares of the Company to the public in Hong Kong and international placing of the shares of the Company, the directors of the Company were authorised to capitalise an amount of HK\$29,800,000 standing to the credit of the share premium account of the Company on 10 July 2014 by applying such sum in paying up in full at par 298,000,000 ordinary shares of HK\$0.10 each of the Company for allotment and issue to the shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 21 June 2014.

- b. On 10 July 2014, 100,000,000 ordinary shares of HK\$0.10 each of the Company were allotted and issued at the price of HK\$1.18 per share by way of public offer in Hong Kong and international placing. On 11 July 2014, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. On 23 July 2014, 15,000,000 ordinary shares of HK\$0.10 each of the Company were allotted and issued at the price of HK\$1.18 per share pursuant to the exercise of the over-allotment option.