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## **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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**AND**

### **ANNOUNCEMENT PURSUANT TO RULE 13.18 OF THE LISTING RULES**

#### **FINANCIAL HIGHLIGHTS**

##### **During the Reporting Period:**

- **the Group's revenue amounted to about HK\$1,254 million, representing a decrease of about 15.7% as compared to that of the corresponding period of 2015 (1H2015: about HK\$1,487 million);**
- **air freight business recorded a drop of about 16.9% in segment results as compared to that of the corresponding period of 2015, to about HK\$81 million (1H2015: about HK\$98 million); and**
- **the Group recorded a loss attributable to owners of the Company of about HK\$1.2 million, representing a drop of about 107.7% as compared to that of the corresponding period of 2015 (1H2015: profit of about HK\$16 million).**

The board (the "**Board**") of directors (the "**Directors**") of On Time Logistics Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**"). The relevant financial figures for the six months ended 30 June 2015 (the "**1H2015**") or other dates/periods are also set out in this announcement for comparative purposes.

The interim results of the Group for the Reporting Period have been reviewed by the Company's auditor 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 ("**HKICPA**").

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

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

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

*For the six months ended 30 June 2016*

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

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

		(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
	NOTES		
<b>Current liabilities</b>			
Trade and other payables	8	220,834	265,029
Amount due to an associate		–	339
Amount due to a joint venture		2	2
Amount due to a related company		10	49
Tax liabilities		4,064	8,158
Obligations under finance leases			
– due within one year		582	603
Bank borrowings		71,060	98,595
		<u>296,552</u>	<u>372,775</u>
<b>Net current assets</b>		<u>371,090</u>	<u>378,106</u>
<b>Total assets less current liabilities</b>		<u>482,453</u>	<u>493,167</u>
<b>Non-current liabilities</b>			
Trade and other payables			
– due after one year	8	1,379	2,596
Obligations under finance leases			
– due after one year		353	416
Deferred tax liabilities		13,410	14,664
		<u>15,142</u>	<u>17,676</u>
		<u>467,311</u>	<u>475,491</u>
<b>Capital and reserves</b>			
Share capital	9	41,280	41,457
Reserves		396,118	404,734
Net assets attributable to owners of the Company		437,398	446,191
Non-controlling interests		29,913	29,300
<b>Total equity</b>		<u>467,311</u>	<u>475,491</u>

## NOTES TO INTERIM FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements have not been audited by the Company’s auditor but have been reviewed by the Company’s audit committee and auditor.

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the Reporting Period are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2015.

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

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

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

## 2. SEGMENT INFORMATION

### a. Segment revenue and results

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

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

### b. Segment assets and liabilities

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

### 3. INCOME TAX EXPENSES

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

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

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

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

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

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

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

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

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

#### 4. PROFIT FOR THE PERIOD

(Unaudited)  
Six months ended 30 June  
2016                      2015  
*HK\$’000*                      *HK\$’000*

Profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	5,074	5,538
Amortisation of intangible assets	1,574	1,574
Impairment loss on trade receivables	4,061	13,633
Impairment loss on available-for-sale investment	581	–
Reversal of impairment loss on trade receivables	(1,184)	(2,391)
Net exchange loss	<u>2,108</u>	<u>681</u>

#### 5. (LOSS) EARNINGS PER SHARE

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

(Unaudited)  
Six months ended 30 June  
2016                      2015  
*HK\$’000*                      *HK\$’000*

##### (Loss) earnings

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

#### Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share

<b>412,895</b>	<b>415,000</b>
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The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options is higher than the average market price for shares during the interim periods.

#### 6. DIVIDEND

(Unaudited)	
Six months ended 30 June	
2016	2015
HK\$'000	HK\$'000

Final dividend payable in respect of the year ended 31 December 2015 of HK1.3 cents (year ended 31 December 2014: 1.6 cents) per ordinary share

<b>5,366</b>	<b>6,640</b>
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The Board does not recommend the payment of interim dividend in respect of the Reporting Period (30 June 2015: Nil).

#### 7. TRADE RECEIVABLES

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

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

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

On 29 August 2016, Mr. Hartmut Ludwig Haenisch (“**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 30 June 2016, such trade receivable amounted to HK\$8,894,431.

## 8. TRADE AND OTHER PAYABLES

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

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

## 9. SHARE CAPITAL

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

### **FINANCIAL RESULTS**

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

## SEGMENTAL ANALYSIS

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

### **Air Freight**

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 63.7% of the Group's total revenue during the Reporting Period (1H2015: about 65.5%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group has received numerous accolades from international organisations and major airlines since 2000, including honours from the World Cargo Alliance and "Top Agent Award" from Cathay Pacific Cargo/Dragonair Cargo each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

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

## **Ocean Freight**

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

## **The GSA Business**

The GSA business involves agreements entered into between the Group and regional airlines, whereby the Group subsequently acts as a wholesaler of the airlines' cargo space. During the Reporting Period, the revenue of the GSA business, after eliminating all inter group companies transactions, increased to about HK\$15,000 (1H2015: about HK\$1,000). Our revenue generated from the GSA business recorded as net agency income, and therefore our gross profit margin of the GSA business maintained at 100% during the Reporting Period and 1H2015.

## **Ancillary and Contract Logistics Services**

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

## **Others**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

## **FOREIGN EXCHANGE RISK**

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

The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2015. The Group continues to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.

## CAPITAL EXPENDITURE COMMITMENTS

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

## CONTINGENT LIABILITIES

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

## CHARGE ON ASSETS

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

## EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

## **PROSPECTS**

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

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

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

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

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

## **Explore E-commerce Opportunities and Bolster IT Capability**

As one of the important focus areas of the Group going forward, the Group will continue to explore e-commerce opportunities, such as the possibility of encouraging the cross-selling of goods among its existing direct customers, which currently comprise about 22,300 customers. Those customers, which were engaging in garments, footwear and electronics, would also be provided with sales opportunities that enable them to tap into new markets, gain new business and attract new customers while relying on the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure, and thus such platform could benefit all parties concerned. To expedite development of the e-commerce business, a dedicated team has been established which possesses experience in e-commerce marketing, relevant technical expertise and the capacity to identify products with good online sales potential. The Group will also examine potential acquisitions that enable the e-commerce business to benefit from further integration. In order to facilitate the Group's aggressive market expansion and enhancement of core businesses with the aim to capture opportunities arising from the increasing market demand, the recruitment of more business development personnel will be pursued as well. Currently, the Group has invested in two online platforms, namely, "www.holicbuy.com" and "www.bfme.com".

## **HUMAN RESOURCES**

As at 30 June 2016, the Group employed about 1,103 employees (as at 30 June 2015: about 1,141 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

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

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

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

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2016	1,762,000	1.18	1.08	2,019,280

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

## INTERIM DIVIDEND

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

## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the facility letter entered into by the Company on 29 August 2016 (the “**Facility Letter**”), a bank in Hong Kong has agreed to grant to OT HK banking facilities in an aggregate sum of HK\$125.2 million which shall be subject to renewal by 15 July 2017. The Facility Letter contains a condition which requires Mr. Lam, one of the controlling shareholders of the Company, to remain as the chairman of the Company and the largest single shareholder of the Company with shareholding of no less than 40% in the Company. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in 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 announcement, OT HK is in compliance with the Facility Letter.

## **CORPORATE GOVERNANCE**

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

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

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

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors’ securities transactions throughout the Reporting Period.

## **AUDIT COMMITTEE**

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

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

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ontime-express.com](http://www.ontime-express.com). The interim report for the Reporting Period will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

## **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 & Chief Executive Officer*

Hong Kong, 29 August 2016

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. LAM Chun Chin, Spencer, Mr. Hartmut Ludwig HAENISCH, Ms. CHEUNG Ching Wa, Camy, Ms. WONG Pui Wah and Mr. Dennis Ronald DE WIT; and three independent non-executive Directors, namely, Mr. POON Ka Lee, Barry, Mr. NG Wai Hung and Mr. WONG See Ho.*