



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

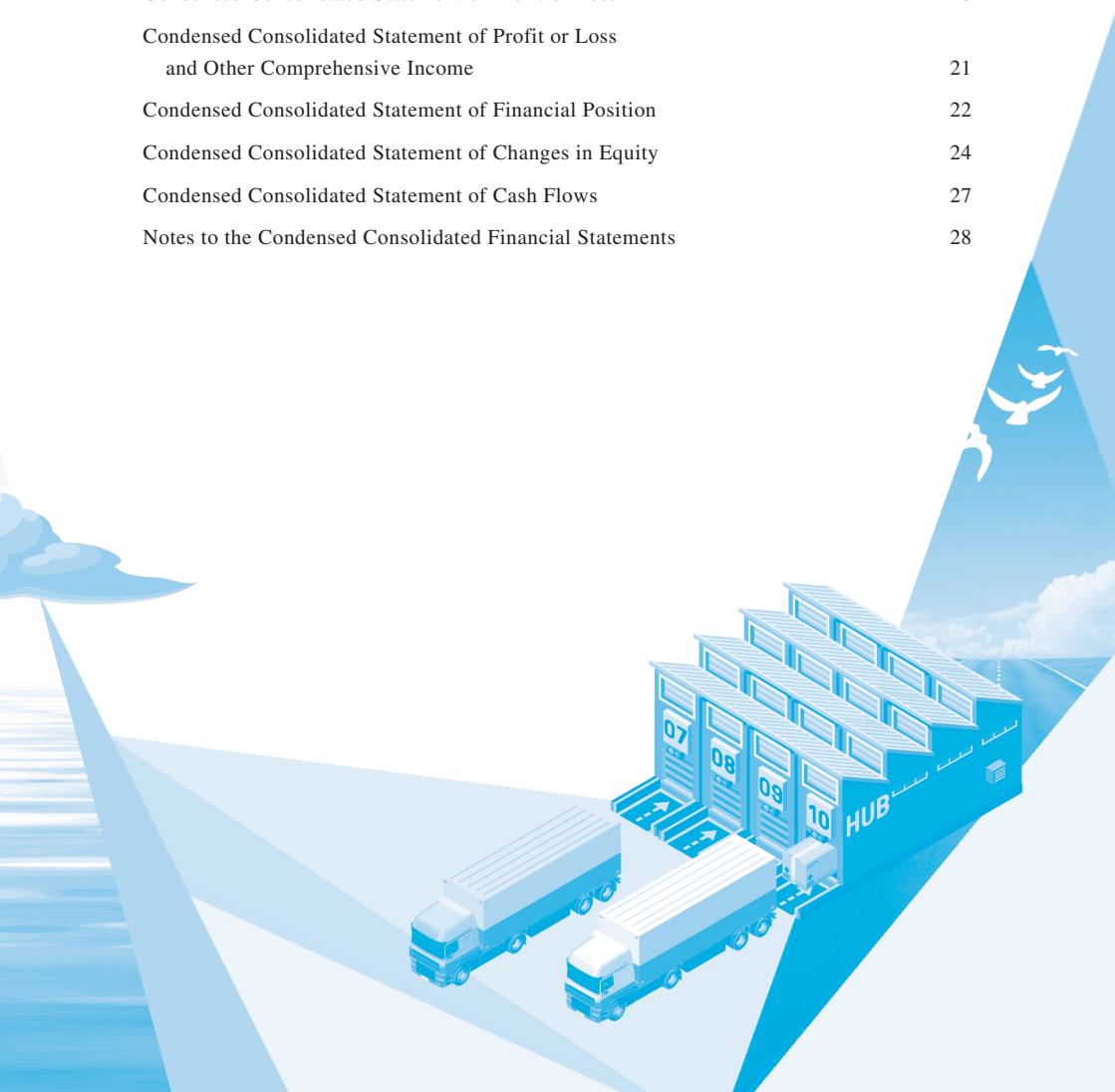
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6123)

**INTERIM REPORT
2017**



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Wong Pui Wah,
CPA (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
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Kowloon Bay
Hong Kong

COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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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”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 (the “Reporting Period”). The relevant financial figures for the six months ended 30 June 2016 (the “1H2016”) 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 increased steadily due to the recovery of global economy which was in line with the improvement of export business in the People’s Republic of China (“PRC”) and global market demand, especially in the United States of America (“USA”). The Group has also caught the opportunity of the boom of cross-border small parcel delivery, which contributed to the increase in shipment volume during the Reporting Period. This has enhanced the positive financial results of the Reporting Period.

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\$1,560.8 million (1H2016: about HK\$1,253.9 million), representing a period-on-period rise of about 24.5%. Gross profit amounted to about HK\$252.2 million (1H2016: about HK\$231.9 million), representing a period-on-period increase of about 8.7%. However, due to keen competition in the market, the gross profit margin decreased to about 16.2% (1H2016: about 18.5%), while the net profit attributable to owners of the Company increased significantly from loss to profit of about HK\$19.6 million (1H2016: loss of about HK\$1.2 million). The increase in profit was mainly due to the overall increase in demand in the USA, recovery of the European market and increase in demand for cross-border small parcel delivery services. Due to the increasing demand for the air freight services, part of the buying costs increased resulting in adjustment of the selling rate. Revenue from the air freight services business has increased accordingly; the decrease in salaries and wages since severance package was paid to the station managers who left the Group during 1H2016; and the disposal of e-commerce business which has not contributed profit to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 other businesses, which comprise combine shipments, trucking, general sales agency, hand-carry services. The comprehensive range of services offered by the Group enables the Group to meet diverse customers' needs and provide cross-selling opportunities.

Air Freight

The cross-border small parcel delivery business is part of the air freight business. Followed by the increasing worldwide demand for online shopping of Chinese products, the demand for air freight services of cross-border small parcel delivery increased. The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 68.0% of the Group's total revenue during the Reporting Period (1H2016: about 63.7%). 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 organizations and major airlines since 2000, including honours from the World Cargo Alliance and "Top Agent Award" from Cathay Pacific Cargo/Cathay Dragon each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries and delivery of small parcels for e-commerce business. During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$1,061.7 million (1H2016: about HK\$799.3 million), representing a significant increase of about 32.8% as compared to the corresponding period of 2016. Gross profit of the segment also increased from about HK\$114.2 million in the corresponding period of 2016 to about HK\$119.7 million during the Reporting Period, representing an increase of about 4.8% period-on-period. In respect of air import and export tonnage, the Group noted a period-on-period increase of about 18.6%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

Ocean Freight

The ocean freight segment contributed about 26.4% of the Group's total revenue during the Reporting Period (1H2016: about 30.7%), the percentage of which decreased due to the increase in revenue of air freight segment. 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 increased by about 6.9% period-on-period to about HK\$411.5 million (1H2016: about HK\$385.0 million). Due to better cost control, gross profit increased to about HK\$91.8 million (1H2016: about HK\$84.1 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 about 55,006 (1H2016: about 55,399) twenty-foot equivalent unit, representing a slight decrease of about 0.7% from the corresponding period of 2016.

Ancillary and Contract Logistics Services

Accounting for about 2.9% (1H2016: about 3.1%) 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\$44.9 million (1H2016: about HK\$39.0 million) and gross profit of about HK\$23.1 million (1H2016: about HK\$20.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

Others

The other businesses include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that 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\$42.7 million (1H2016: about HK\$30.5 million) and gross profit of about HK\$17.5 million (1H2016: about HK\$13.1 million). The gross profit margin of other businesses decreased from 42.9% in 1H2016 to 41.0% during the Reporting Period.

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 2017 was about HK\$411.2 million, representing an increase of about 11.2% from about HK\$369.7 million as at 31 December 2016. The current ratio of the Group slightly decreased from about 1.80 times as at 31 December 2016 to about 1.78 times as at 30 June 2017.

As at 30 June 2017, the Group's bank balances and cash amounted to about HK\$286.4 million, representing an increase of about 35.6% from about HK\$211.2 million as at 31 December 2016. For the Reporting Period, the Group had operating cash inflow of about HK\$79.2 million (1H2016: operating cash inflow of about HK\$11.8 million). As at 30 June 2017, the Group's outstanding bank borrowings amounted to about HK\$124.3 million (as at 31 December 2016: about HK\$145.4 million). The gearing ratio of the Group was about 25.4% as at 30 June 2017 (as at 31 December 2016: about 31.4%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2017 and as at 31 December 2016, 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 2016. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2017, the Group has below capital expenditure commitments (as at 31 December 2016: nil):

- (i) The consideration of approximately HK\$27 million includes contingent consideration of HK\$7,200,000 to be determined based on the future financial performance of 翼尊國際貨運代理(上海)有限公司 (“Best Loader Shanghai”). As at the date of this report, HK\$14,158,000 was paid to Air Partner Logistics Company Limited (“Vendor A”); and
- (ii) The contingent consideration of HK\$800,000 to be determined based on the future financial performance of Best Loader Logistics Company Limited (“Best Loader HK”).

CONTINGENT LIABILITIES

As at 30 June 2017, save as disclosed in the above capital expenditure commitments, the Group did not have any other significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2017, certain of the Group’s trade receivables with an aggregate carrying amount of about HK\$98.5 million (as at 31 December 2016: about HK\$119.6 million), held-for-trading investment with a carrying amount of about HK\$1.0 million (as at 31 December 2016: about HK\$1.0 million) together with short-term bank deposits of about HK\$11.1 million (as at 31 December 2016: about HK\$10.7 million) were pledged to secure certain banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

- (i) On 5 May 2017, On Line Service Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Vendor A and the guarantor, pursuant to which On Line Service Limited has conditionally agreed to acquire and Vendor A has conditionally agreed to sell the entire issued share capital of Best Loader Shanghai at a consideration of HK\$27,000,000. Best Loader Shanghai is primarily engaged in the freight forwarding business in the PRC.

Subject to and upon the terms and conditions of the sale and purchase agreement, the purchase price of HK\$27,000,000 payable by the Company includes contingent consideration of HK\$7,200,000 to be determined based on the future financial performance of Best Loader Shanghai.

The transaction was completed on 17 July 2017 and the first payment of HK\$14,158,000 was made on 4 August 2017. Please refer to the announcement of the Company dated 5 May 2017 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

- (ii) On 10 July 2017, JASA BEHEERGROEP B.V., one of the non-controlling shareholders of OTX Solutions B.V., agreed to sell its entire equity interest in OTX Solutions B.V. representing 20% of the entire issued share capital of OTX Solutions B.V., to OTX Logistics B.V. with retrospective effect as from 1 July 2017. The purchase price of the shares was EUR261,500.
- (iii) On 29 March 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of 5,200,000 shares in 北京明邦物流股份有限公司 at a consideration of RMB14,560,000. The transaction was subsequently completed on 14 August 2017.
- (iv) As disclosed in the joint announcement issued by the Company and YTO Express Group Co., Ltd. ("YTO") dated 8 May 2017, Mr. Lam Chun Chin, Spencer ("Mr. Lam"), Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch"), Golden Strike International Limited ("Lam Investco") and Polaris International Holdings Limited ("Haenisch Investco") (the "Vendors") and YTO, entered into a sale and purchase agreement (the "SPA") pursuant to which the Vendors conditionally agreed to sell and YTO conditionally agreed to acquire 255,820,000 shares of the Company. Completion of the SPA is subject to certain conditions precedent, including but not limited to approval from the Ministry of Commerce of the PRC ("MOFCOM"). On 18 July 2017, YTO received a notification from the Anti-Monopoly Bureau of MOFCOM that the Antitrust Approvals were granted to YTO. On 10 August 2017, YTO received a notification from the development and reform authorities and the competent local counterparts of MOFCOM that the filing, registration and notifications procedures in respect of the preparation of the Foreign Exchange Approvals have been completed. Please refer to the announcements of the Company dated 19 July 2017 and 10 August 2017 for further details.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group has acquired 100% interest of Best Loader HK, a company incorporated in Hong Kong at a consideration of HK\$3,000,000. The principal activity of Best Loader HK is provision of freight forwarding service.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

During the Reporting Period, the economic rebound in European and American markets led to an increase in exports in the PRC. Global demand for logistics and freight forwarding services, warehouse and logistics business and e-commerce business delivery services keep rising. There are also improvement in the USA and Europe's business environment. All these factors are beneficial to the Group's medium to long term growth. Moreover, the proposed acquisition of the shares of the Company by YTO and the acquisition of other freight forwarding companies will strengthen the Group's capacity and its global networking.

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

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

HUMAN RESOURCES

As at 30 June 2017, the Group employed about 1,097 employees (as at 30 June 2016: about 1,103 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. During the Reporting Period, training activities have been conducted to improve the performance of sales and marketing activities and customer services.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had 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 facility letter entered into by the Company on 29 August 2016 (the "Facility Letter"), a bank in Hong Kong has agreed to grant to On Time Express Limited ("OT HK") banking facilities in an aggregate sum of HK\$125.2 million which shall be subject to renewal by October 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 report, OT HK is in compliance with the Facility Letter.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

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

Name of Director	The company in which the interest is held	Capacity/ nature of interest	Number of shares involved	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	The Company	Interest of a controlled corporation (<i>Note 1</i>)	192,000,000	46.35%
		Beneficial owner	<u>100,000</u>	0.02%
		Total	192,100,000	46.37%
Mr. Hartmut Ludwig Haenisch	The Company	Interest of a controlled corporation (<i>Note 2</i>)	105,000,000	25.35%
Ms. Cheung Ching Wa, Camy	The Company	Interest of a controlled corporation (<i>Note 3</i>)	3,000,000	0.73%
		Beneficial owner	<u>2,498,000</u>	0.60%
		Total	5,498,000	1.33%
Ms. Wong Pui Wah	The Company	Beneficial owner	400,000	0.10%
Mr. Dennis Ronald de Wit	OTX Logistics B.V. (associated corporation)	Interest of a controlled corporation (<i>Note 4</i>)	21,575	25%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

Notes:

1. These shares of the Company are held by Lam Investco, which is wholly owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the shares of the Company held by Lam Investco.
2. These shares of the Company are held by Haenisch Investco, which is wholly owned by Mr. Haenisch. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the shares of the Company held by Haenisch Investco.
3. These shares of the Company are held by Grand Splendour Holdings Limited (廣輝控股有限公司), which is wholly owned by Ms. Cheung Ching Wa, Camy. By virtue of the SFO, Ms. Cheung Ching Wa, Camy is deemed to be interested in the shares of the Company held by Grand Splendour Holdings Limited.
4. These shares of OTX Logistics B.V. are held by T.Y.D. Holding B.V., which is owned as to 75% by Mr. Dennis Ronald de Wit. Mr. Dennis Ronald de Wit is a director of T.Y.D. Holding B.V.. By virtue of the SFO, Mr. Dennis Ronald de Wit is deemed to be interested in the shares of OTX Logistics B.V. held by T.Y.D. Holding B.V..

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

Name of Director	Capacity/ nature of interest	Number of underlying shares in respect of the share options granted	Approximate percentage* of underlying shares over the Company's issued share capital
Ms. Wong Pui Wah	Beneficial owner	198,000 <i>(Note)</i>	0.05%

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

* The percentage represents the number of shares/underlying shares involved divided by the number of the Company's/the relevant associated corporation's issued shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 30 June 2017, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of shareholder	Capacity/ nature of interest	Number of shares involved	Approximate percentage* of the Company's issued share capital
Lam Investco (<i>Note 1</i>)	Beneficial owner	192,000,000	46.35%
Ms. Li Wai Fun (<i>Note 1</i>)	Interest of spouse	192,100,000	46.37%
Haenisch Investco (<i>Note 2</i>)	Beneficial owner	105,000,000	25.35%
Ms. Haenisch Leung Man San (<i>Note 2</i>)	Interest of spouse	105,000,000	25.35%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	25,044,000 (<i>Note 3 & 4</i>)	6.05%
Rays Capital Partners Limited	Investment manager	26,524,000 (<i>Note 3 & 4</i>)	6.40%
Mr. Ruan David Ching-chi	Interest of controlled corporations	26,524,000 (<i>Note 3 & 4</i>)	6.40%

* The percentage represents the number of shares of the Company involved divided by the number of the Company's issued shares as at 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

Notes:

1. Lam Investco is wholly owned by Mr. Lam and Mr. Lam is the sole director of Lam Investco. By virtue of the SFO, Mr. Lam is deemed to be interested in the shares of the Company held by Lam Investco as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Li Wai Fun is the spouse of Mr. Lam. Under the SFO, Ms. Li Wai Fun is taken to be interested in the same number of shares of the Company in which Mr. Lam is interested.
2. Haenisch Investco is wholly owned by Mr. Haenisch and Mr. Haenisch is the sole director of Haenisch Investco. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the shares of the Company held by Haenisch Investco as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Haenisch Leung Man San is the spouse of Mr. Haenisch. Under the SFO, Ms. Haenisch Leung Man San is taken to be interested in the same number of shares of the Company in which Mr. Haenisch is interested.
3. Mr. Ruan David Ching-chi is deemed to be interested in these shares of the Company through his controlled corporations, namely, Asian Equity Special Opportunities Portfolio Master Fund Limited and Rays Capital Partners Limited.
4. The information disclosed is based on the disclosure of interest forms submitted by these substantial shareholders respectively.

Save as disclosed above, as at 30 June 2017, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME

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

Name or category of grantees	Date of grant (Note 1)	Exercise period	Number of share options						
			Outstanding Exercise price per share	Granted as at 1 January 2017	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 30 June 2017	
			HK\$						
Director									
Ms. Wong Pui Wah	26 January 2015	26 January 2017 – 25 January 2019	1.65	598,000	-	(400,000)	-	-	198,000
Sub-total				598,000	-	(400,000)	-	-	198,000
Employees	26 January 2015	26 January 2017 – 25 January 2019	1.65	2,184,000	-	(1,066,000)	-	-	1,118,000
Sub-total				2,184,000	-	(1,066,000)	-	-	1,118,000
Total				2,782,000	-	(1,466,000)	-	-	1,316,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised is HK\$3.65 per share of the Company.
3. The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company’s share capital.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

UPDATE ON DIRECTOR’S INFORMATION

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

Mr. Ng Wai Hung has resigned as an independent non-executive director of (i) GOME Electrical Appliances Holding Limited (a company listed on the Main Board of the Stock Exchange with stock code: 493) with effect from 26 May 2017; (ii) Kingbo Strike Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1421) with effect from 30 June 2017; and (iii) Trigiant Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1300) with effect from 22 August 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

The Company has established an audit committee which comprises the three independent non-executive Directors, namely, Mr. Wong See Ho, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Mr. Wong See Ho is the chairman of the audit committee. The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited consolidated financial statements of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

APPRECIATION

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

By order of the Board

On Time Logistics Holdings Limited

先達國際物流控股有限公司

Lam Chun Chin, Spencer

Chairman and Chief Executive Officer

Hong Kong, 29 August 2017

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 set out on pages 20 to 46, which comprise the condensed consolidated statement of financial position of On Time Logistics Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2017 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 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.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

	NOTES	(Unaudited)	
		Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	3	1,560,775	1,253,881
Cost of sales		<u>(1,308,577)</u>	<u>(1,021,973)</u>
 Gross profit		252,198	231,908
Other income		4,481	3,348
Administrative expenses		<u>(228,322)</u>	<u>(225,100)</u>
Other gains or losses		2,982	(3,071)
Share of profit of associates		111	91
Share of profit (loss) of joint ventures		373	(2,663)
Finance costs		<u>(2,267)</u>	<u>(1,605)</u>
 Profit before tax		29,556	2,908
Income tax expenses	4	<u>(8,864)</u>	<u>(2,876)</u>
 Profit for the period	5	<u>20,692</u>	<u>32</u>
 Profit (loss) for the period attributable to:			
Owners of the Company		19,609	(1,194)
Non-controlling interests		<u>1,083</u>	<u>1,226</u>
		<u>20,692</u>	<u>32</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	6		
Basic		<u>4.74</u>	<u>(0.29)</u>
Diluted		<u>4.73</u>	<u>(0.29)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	(Unaudited)	
	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Profit for the period	20,692	32
Other comprehensive income (expense), net of income tax		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation increase (decrease) on leasehold land and buildings	783	(285)
Deferred tax arising on revaluation of leasehold land and buildings	(147)	121
<i>Items that may be subsequently reclassified 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 a reserve of associates	14	3
Share of a reserve of joint ventures	434	42
Exchange difference arising from foreign operations	4,162	(543)
Other comprehensive income (expense) for the period	5,246	(662)
Total comprehensive income (expense) for the period	25,938	(630)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	22,597	(1,701)
Non-controlling interests	3,341	1,071
	25,938	(630)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

NOTES	(Unaudited)		(Audited)
	30 June 2017		31 December 2016
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Investment properties	8	7,457	7,249
Property, plant and equipment	9	47,970	48,584
Goodwill		15,831	13,770
Intangible assets		17,884	17,654
Interests in associates		1,315	1,190
Interests in joint ventures		5,259	4,386
Available-for-sale investment		–	16,237
Deferred tax assets	174		163
		<u>95,890</u>	<u>109,233</u>
Current assets			
Trade receivables	10	504,343	496,150
Other receivables, deposits and prepayments		90,663	79,421
Held for trading investment		1,018	995
Available-for-sale investment		16,703	–
Amounts due from joint ventures	16	16,592	14,602
Amounts due from associates	16	10,104	10,523
Amounts due from related companies		139	6
Loan to a joint venture		–	3,414
Loan to an associate		500	500
Prepaid tax		2,121	3,431
Pledged bank deposits		11,122	10,747
Bank balances and cash		286,402	211,207
		<u>939,707</u>	<u>830,996</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2017

	NOTES	(Unaudited)	(Audited)
		30 June	31 December
		2017	2016
		HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	11	398,114	309,685
Amounts due to associates	16	1,178	270
Tax liabilities		4,652	5,491
Obligations under finance leases			
– due within one year	12	326	498
Bank borrowings	13	124,256	145,400
		528,526	461,344
Net current assets		411,181	369,652
Total assets less current liabilities		507,071	478,885
Non-current liabilities			
Trade and other payables			
– due after one year	11	3,233	3,021
Obligations under finance leases			
– due after one year	12	178	294
Deferred tax liabilities		14,181	12,930
		17,592	16,245
		489,479	462,640
Capital and reserves			
Share capital	14	41,427	41,280
Reserves		418,568	393,659
Net assets attributable to owners of the Company		459,995	434,939
Non-controlling interests		29,484	27,701
Total equity		489,479	462,640

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Share options reserve HK\$'000	Other reserve HK\$'000 (Note c)	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note d)	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2016 (audited)	41,457	419,898	(5)	(295,411)	524	(705)	(19,841)	7,856	10,314	-	282,104	446,191	29,300	475,891
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	(1,194)	(1,194)	1,226	32
Revaluation decrease on leasehold land and buildings	-	-	-	-	-	-	-	-	(285)	-	-	(285)	-	(285)
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	-	121	-	-	121	-	121
Net change in fair value of available-for-sale investment	-	-	-	-	-	-	-	-	(581)	-	(581)	-	(581)	-
Provision of impairment loss on available-for-sale investment	-	-	-	-	-	-	-	-	-	581	-	581	-	581
Share of reserve of associates	-	-	-	-	-	-	3	-	-	-	-	3	-	3
Share of reserve of joint ventures	-	-	-	-	-	-	42	-	-	-	-	42	-	42
Exchange differences arising from overseas operations	-	-	-	-	-	-	(388)	-	-	-	(388)	(155)	(543)	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(343)	-	(164)	-	(1,194)	(1,701)	1,071	(630)
Repurchase and cancellation of ordinary shares	(177)	(1,843)	-	-	-	-	-	-	-	-	-	(2,020)	-	(2,020)
Transaction costs attributable to repurchase and cancellation of ordinary shares	-	(7)	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Recognition of equity-settled share-based payment	-	-	-	-	301	-	-	-	-	-	-	301	-	301
Lapse of equity-settled share-based payment	-	-	-	-	(19)	-	-	-	-	-	19	-	-	-
Dividend paid to shareholders	-	-	-	-	-	-	-	-	-	-	(5,366)	(5,366)	-	(5,366)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(458)	-	(458)
Transfer to statutory reserve	-	-	-	-	-	-	-	483	-	-	(483)	-	-	-
At 30 June 2016 (unaudited)	41,280	418,048	(5)	(295,411)	806	(705)	(20,184)	8,339	10,150	-	275,080	437,398	29,913	467,311

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Share options reserve HK\$'000 (Note c)	Other reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000 (Note d)	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2017 (audited)	41,280	418,048	(843)	(295,411)	1,090	(705)	(28,459)	9,540	10,359	-	280,040	434,939	27,701	462,640
Profit for the period	-	-	-	-	-	-	-	-	-	-	19,609	19,609	1,083	20,692
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	-	-	783	-	-	783	-	783
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	-	(147)	-	-	(147)	-	(147)
Share of reserve of associates	-	-	-	-	-	-	14	-	-	-	-	14	-	14
Share of reserve of joint ventures	-	-	-	-	-	-	434	-	-	-	-	434	-	434
Exchange differences arising from overseas operations	-	-	-	-	-	-	1,904	-	-	-	-	1,904	2,258	4,162
Total comprehensive income for the period	-	-	-	-	-	-	2,352	-	636	-	19,609	22,597	3,341	25,938
Issue of shares upon exercise of share options	147	2,868	-	-	(56)	-	-	-	-	-	-	2,419	-	2,419
Recognition of equity-settled share-based payment	-	-	-	-	40	-	-	-	-	-	-	40	-	40
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,558)	-	(1,558)
Transfer to statutory reserve	-	-	-	-	-	-	-	708	-	-	(708)	-	-	-
At 30 June 2017 (unaudited)	41,427	420,916	(843)	(295,411)	534	(705)	(26,107)	10,248	10,995	-	298,941	459,995	29,484	489,479

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

Notes:

- (a) On 1 August 2015, the Group acquired additional 10% equity interest in a subsidiary at a consideration amounting to HK\$1,000 from its non-controlling shareholder resulting in HK\$208,000 debit balance recognised in capital reserve. On 27 October 2016, the Group acquired additional 30% equity interest in a subsidiary at a consideration amounting to SGD350,000 (equivalent to HK\$1,953,000) from its non-controlling shareholder, resulting in HK\$838,000 debit balance recognised in capital reserve.
- (b) Special reserve comprises (i) the difference between the nominal amount of 500,000 shares of the Company amounting to HK\$50,000 as consideration in exchange for the paid up capital of On Time Worldwide Logistics Limited (“OT BVI”) amounting to HK\$389,000 after elimination of share premium amounting to HK\$241,000 as part of the Corporate Reorganisation in year ended 31 December 2013 and (ii) the difference between the aggregate net assets value of Citynet Logistics Worldwide Limited (“Citynet”), On Time Worldwide Logistics Limited (“OT WW HK”), On Time Shipping Line Limited (“OT SL HK”), On Union Management Limited (“On Union HK”) and On Time Express Limited (“OT HK”) amounting to HK\$316,029,000 and the aggregate share capital of Citynet, OT WW HK, OT SL HK, On Union HK and OT HK amounting to HK\$20,520,000 as at 31 March 2014 on which the Company acquired the entire equity interest in Citynet, OT WW HK, OT SL HK, On Union HK and OT HK by issue of 400,000 shares at HK\$0.1 each upon Corporate Reorganisation.
- (c) The non-controlling interests at 1 January 2013 included the fair value of options classified as equity instruments amounting to HK\$705,000, which were related to the options granted to a group entity and a non-controlling shareholder of OTX Logistics B.V. (“OTX Logistics Holland”) on disposal of 25% equity interest in OTX Logistics Holland in 2011. As the condition precedent the exercise of these options was not materialised upon the listing of the Company on 11 July 2014, the amount was reclassified to other reserve.
- (d) Statutory reserve represents general and development fund reserve required in accordance with the laws and regulations in the relevant jurisdictions.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

	NOTE	(Unaudited)	Six months ended 30 June
		2017 HK\$'000	2016 HK\$'000
NET CASH FROM OPERATING ACTIVITIES		79,194	11,807
INVESTING ACTIVITIES			
Interest received		227	231
Net cash flow from acquisition of a subsidiary	19	2,902	–
Development cost on intangible asset		(353)	–
Purchase of property, plant and equipment		(2,899)	(3,655)
Proceeds on disposal of property, plant and equipment		8	13
Repayment from joint ventures		2,923	3,255
Repayment from associates		5,554	662
Advance to related parties		(133)	–
Placement of pledged bank deposits		(1,611)	–
Withdrawal of pledged bank deposits		1,438	–
Acquisition of interest in an associate		–	(166)
Acquisition of interest in a joint venture		(66)	(3,889)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		7,990	(3,549)
FINANCING ACTIVITIES			
Interest paid		(2,267)	(1,605)
Increase in bank overdrafts		431	989
Decrease in factoring loans		(16,893)	(5,216)
New bank loans raised		163,603	116,228
Repayment of bank loans		(168,285)	(139,601)
Repayment to a related party		–	(39)
Dividend paid to shareholders		–	(5,366)
Dividend paid to non-controlling interests of the subsidiaries		(1,558)	(458)
Repayment of obligation under finance leases		(288)	(336)
Proceeds from issue of ordinary shares		2,419	–
Payment for repurchase of ordinary share		–	(177)
Payment for transactions attributable to repurchase of ordinary shares		–	(1,850)
NET CASH USED IN FINANCING ACTIVITIES		(22,838)	(37,431)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		64,346	(29,173)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD		211,207	242,300
Effect of foreign exchange rate changes		10,849	(645)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		286,402	212,482
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		286,402	212,482

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with 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”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of amendments to HKFRSs as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

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

The management of the Company concluded that the application of the above amendments to HKFRSs had no material impact on the amounts reported and/or disclosures set out in the condensed consolidated financial statements but the application may have impact on disclosure in the consolidated financial statements for the year ending 31 December 2017. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on four main operations:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Operating and reportable segments				
Air freight	1,061,681	799,339	85,003	81,353
Ocean freight	411,451	384,963	68,275	60,544
Logistics	44,901	39,016	(471)	(754)
Others	42,742	30,563	17,026	12,662
Total	1,560,775	1,253,881	169,833	153,805
Other income			4,481	3,348
Other gains or losses			2,982	(3,071)
Unallocated corporate expenses			(145,957)	(146,997)
Share of profit of associates			111	91
Share of profit (loss) of joint ventures			373	(2,663)
Finance costs			(2,267)	(1,605)
Profit before tax	29,556		2,908	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. SEGMENT INFORMATION (CONTINUED)

a. Segment revenue and results (continued)

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

b. Segment assets and liabilities

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

c. Geographic information

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

	(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Hong Kong	647,469	443,357
The People's Republic of China ("PRC")	304,553	257,720
Other Asia regions	219,960	199,929
The Netherlands	188,676	148,511
North America	193,363	204,364
Hungary	6,754	—
	<hr/>	<hr/>
	1,560,775	1,253,881
	<hr/>	<hr/>

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

	(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Hong Kong	42,330	40,903
The PRC	9,045	8,186
Other Asian regions	3,655	3,899
The Netherlands	30,239	30,871
North America	3,769	3,737
Hungary	27	—
	<hr/>	<hr/>
	89,065	87,596
	<hr/>	<hr/>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current tax		
– Hong Kong Profits Tax	2,555	132
– Enterprise Income Tax in the PRC	2,308	–
– Dutch Corporate Income Tax	1,382	874
– Vietnam Corporate Income Tax	542	682
– Malaysia Corporate Income Tax	134	504
– Canadian Corporate Income Tax	376	323
– Other jurisdictions	<u>672</u>	<u>753</u>
	<u>7,969</u>	<u>3,268</u>
Under (over) provision in respect of prior years		
– Enterprise Income Tax in the PRC	147	–
– Other jurisdictions	<u>(68)</u>	<u>109</u>
	<u>79</u>	<u>109</u>
Withholding tax on dividend received		
	488	216
Deferred taxation		
	<u>328</u>	<u>(717)</u>
	<u>8,864</u>	<u>2,876</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. INCOME TAX EXPENSES (CONTINUED)

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. PROFIT FOR THE PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	5,658	5,074
Amortisation of intangible assets	1,541	1,574
Impairment loss on trade receivables recognised	3,690	4,061
Impairment loss on available-for-sale investment	–	581
Reversal of impairment loss on trade receivables	(1,250)	(1,184)
Net exchange (gain) loss	<u>(3,034)</u>	<u>2,108</u>

6. EARNINGS (LOSS) PER SHARE

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

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	<u>19,609</u>	<u>(1,194)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

6. EARNINGS (LOSS) PER SHARE (CONTINUED)

	(Unaudited)	
	Six months ended 30 June	
	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	413,403	412,895
Effect of dilutive potential ordinary shares on share options	1,095	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	414,498	412,895

During the six months ended 30 June 2016, the computation of diluted loss 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 period.

7. DIVIDEND

	(Unaudited)	
	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Final dividend payable in respect of the year ended 31 December 2016 of nil (31 December 2015: HK1.3 cents) per share		
	—	5,366

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2017 (30 June 2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

8. INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at the end of the current interim period has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. There is no change in the fair value of the investment properties held by the Group during the period ended 30 June 2017. Fair value gain at the amount of HK\$338,000 was recognised directly in profit or loss for the six months ended 30 June 2016.

The fair values of the Group's investment properties as at 30 June 2017 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 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment for a consideration of HK\$2,899,000 (six months ended 30 June 2016: HK\$3,905,000).

During the six months ended 30 June 2017, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$83,000 (six months ended 30 June 2016: HK\$96,000) for cash proceeds of HK\$8,000 (six months ended 30 June 2016: HK\$13,000), resulting in a loss on disposal of HK\$75,000 (six months ended 30 June 2016: HK\$83,000).

The Group's leasehold land and buildings classified as property, plant and equipment were valued by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair value of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available. The resulting revaluation surplus of HK\$783,000 has been credited to the properties revaluation reserve during the six months ended 30 June 2017 (six months ended 30 June 2016: debited to the properties revaluation reserve at HK\$285,000).

The fair values of the Group's leasehold land and buildings as at 30 June 2017 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 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

10. TRADE RECEIVABLES

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

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

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
0 – 30 days	302,696	288,100
31 – 60 days	115,432	140,663
61 – 90 days	52,929	45,206
91 – 180 days	19,072	10,811
Over 180 days	14,214	11,370
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	504,343	496,150
	<hr/>	<hr/>

On 29 August 2016, Mr. Hartmut Ludwig 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 Group's customers, which is an independent third party. As at 30 June 2017, such trade receivable amounted to HK\$9,071,003 (31 December 2016: HK\$8,212,634).

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) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
Within 60 days	249,202	227,283
61 – 180 days	11,594	8,975
181 – 365 days	2,789	1,274
1 – 2 years	3,214	3,779
	<hr/>	<hr/>
	266,799	241,311
	<hr/>	<hr/>
Trade and other payables analysed as:		
– Current	398,114	309,685
– Non-current	3,233	3,021
	<hr/>	<hr/>
	401,347	312,706
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

12. OBLIGATIONS UNDER FINANCE LEASES

During the six months ended 30 June 2017, the Group obtained no new obligations under finance leases (six months ended 30 June 2016: HK\$250,000) and repaid obligations under finance leases amounting to HK\$288,000 (six months ended 30 June 2016: HK\$336,000). The obligations under finance leases carry interest at fixed market rates of ranging from 0.21% to 2.75% and are repayable in instalments over a period of 3 years.

13. BANK BORROWINGS

During the six months ended 30 June 2017, the Group obtained new bank borrowings amounting to HK\$167,603,000 (six months ended 30 June 2016: HK\$116,228,000) and repaid bank borrowings amounting to HK\$168,285,000 (six months ended 30 June 2016: HK\$139,601,000). The loans carry interest at variable market rates ranging from 3.07% to 3.90% and with a repayment on demand clause. The proceeds were used to finance the general working capital of the Group.

14. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 30 June 2017	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2016	414,566,000	41,457
Repurchase and cancellation of ordinary shares	(1,762,000)	(177)
At 31 December 2016	412,804,000	41,280
Issue of shares upon exercise of share options (<i>note</i>)	1,466,000	147
At 30 June 2017	<u>414,270,000</u>	<u>41,427</u>

Note:

During the six months ended 30 June 2017, the Company issued 1,466,000 shares of HK\$0.1 each upon exercise of share options. The exercise price of the share options exercised during the period was HK\$1.65. The new shares issued rank pari passu with the then existing shares in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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).

Financial assets	(Unaudited)		(Audited)		Fair value hierarchy and key inputs	Valuation techniques
	Fair value as at		30 June 2017	31 December 2016		
	HK\$	HK\$	HK\$	HK\$		
Held for trading investments	1,018,000		995,000		Level 1	Quoted market bid price
Available-for-sale investment	16,703,000		16,237,000		Level 2	Latest transaction price

The directors of the Company consider that the carrying amounts 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 2017

16. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 June 2017, the Group had significant transactions with related parties as follows:

		(Unaudited)	
		Six months ended 30 June	
		2017	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Associates			
– Freight income received		2,858	1,418
– Freight charge paid		19,047	15,156
– Management fee income		984	244
– Loan interest income		13	13
(ii) Joint ventures			
– Freight income received		19,309	7,633
– Freight charge paid		1,434	961
(iii) Related companies with common directors			
First Choice International Limited			
– Rental expenses		380	570
On Good Development Limited			
– Rental expenses		917	917

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2017

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	NOTES	(Unaudited)	(Audited)
		30 June	31 December
		2017	2016
		HK\$'000	HK\$'000
(i) Associates			
– Trade receivables	<i>a</i>	5,122	–
– Other receivables	<i>c</i>	6,543	10,717
– Trade payables	<i>b</i>	1,110	194
– Other payables	<i>c</i>	1,629	270
(ii) Joint ventures			
– Trade receivables	<i>d</i>	15,473	14,052
– Other receivables	<i>c</i>	1,119	550
(iii) Related Companies			
Other receivables			
– On Good Development Limited	<i>c</i>	139	4
– First Choice International Limited	<i>c</i>	–	2

Notes:

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

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
0 – 30 days	285	–
31 – 60 days	135	–
61 – 90 days	48	–
91 – 180 days	188	–
Over 180 days	4,466	–
	5,122	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (b) The followings are the aging information of trade balances due to associates, based on the invoice date, at the end of the reporting period:

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
0 – 30 days	1,110	–
31 – 60 days	–	194
	<hr/>	<hr/>
	1,110	194

- (c) The amounts are non-interest bearing, unsecured and repayable on demand.
- (d) The following is an aged analysis of trade balances due from joint ventures, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
0 – 30 days	3,793	4,208
31 – 60 days	1,901	3,066
61 – 90 days	1,624	2,505
91 – 180 days	8,050	3,655
Over 180 days	105	618
	<hr/>	<hr/>
	15,473	14,052

17. PLEDGED ASSETS

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

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
Trade receivables	98,498	119,615
Held-for-trading investment	1,018	995
Pledged bank deposits	11,122	10,747
	<hr/>	<hr/>
	110,638	131,357

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

18. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

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

As at 30 June 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,316,000, representing 0.32% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on its listing date on 11 July 2014, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of specific categories of options are as follows:

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

	Number of share options
Outstanding as at 1 January 2016	2,882,000
Lapse of share options due to departure of an employee	<u>(100,000)</u>
Outstanding as at 31 December 2016	2,782,000
Exercised during the period	<u>(1,466,000)</u>
Outstanding as at 30 June 2017	<u>1,316,000</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

18. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

Expected volatility was determined by using the historical volatility of the Company's share price since its shares listed on 11 July 2015. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

During the six months ended 30 June 2017, the Group recognised the total expense of HK\$40,200 in relation to share options granted by the Company.

19. ACQUISITION OF A SUBSIDIARY

During the six months ended 30 June 2017, the Group acquired Best Loader Logistics Company Limited ("Best Loader HK"), detailed information is illustrated below:

On 16 June 2017, the Group completed the acquisition of Best Loader HK through acquisition of the entire issued share capital of Best Loader HK from Air Partner Logistics Company Limited, an independent third party, at a consideration of HK\$3,000,000. This transaction has been accounted for as a business combination using acquisition accounting. Upon completion of the acquisition, Best Loader HK became an indirect wholly-owned subsidiary of the Company. Best Loader HK is primarily engaged in the freight forwarding business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

19. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Intangible asset	468
Property, plant and equipment	169
Trade receivables	17,499
Other receivables, deposits and prepayments	1,776
Bank balances and cash	5,102
Trade and other payables	(22,565)
Tax payables	(113)
Deferred tax liabilities	<u>(97)</u>

Total 2,239

Goodwill arising on acquisition 761

Consideration 3,000

Consideration transferred:

HK\$'000

Cash 2,200

Contingent consideration payable (*Note*) 800

Total 3,000

HK\$'000

Net cash inflow arising on acquisition:

Consideration paid in cash (2,200)

Bank balances and cash acquired 5,102

2,902

Note: Subject to and upon the terms and conditions of the sales and purchase agreement, the purpose price payable by the Company of HK\$3,000,000 includes contingent consideration of HK\$800,000 to be determined based on the future financial performance of Best Loader HK.

The initial accounting for the above acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to other intangible assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

19. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Included in profit for the period, is a profit of HK\$367,000 attributable to the business combination of Best Loader HK. Revenue for the period includes HK\$4,169,000 generated from Best Loader HK.

If the above acquisition had been completed on 1 January 2017, the Group's total revenue for the period would have been HK\$1,596,323,000, and profit for the period would have been HK\$20,821,000. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition-related costs amounting to HK\$83,000 have been excluded from the consideration transferred and have been recognised as expense in the current period, are included in administrative expenses on the face of the condensed consolidated statement of profit or loss.

20. SUBSEQUENT EVENTS

- (i) On 5 May 2017, On Line Service Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "SPA") with the Air Partner Logistics Company Limited (the "Vendor") and the guarantor, pursuant to which On Line Service Limited has conditionally agreed to acquire and Vendor has conditionally agreed to sell the entire issued share capital of 翼尊國際貨運代理(上海)有限公司 ("Best Loader Shanghai") at a consideration of HK\$27,000,000. Best Loader Shanghai is primarily engaged in the freight forwarding business in the PRC.

Subject to and upon the terms and conditions of the SPA, the purchase price of HK\$27,000,000 payable by the Company includes contingent consideration of HK\$7,200,000 to be determined based on the future financial performance of Best Loader Shanghai.

The transaction was completed on 17 July 2017 and the first payment of HK\$14,158,000 was made on 4 August 2017.

- (ii) On 10 July 2017, JASA BEHEERGROEP B.V., one of the non-controlling shareholders of OTX Solutions B.V., agreed to sell its entire equity interest in OTX Solutions B.V., representing 20% of the entire issued share capital of OTX Solutions B.V., to OTX Logistics Holland, with retrospective effect as from 1 July 2017. The purchase price of the shares was EUR261,500.
- (iii) On 29 March 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of 5,200,000 shares in 北京明邦物流股份有限公司 at a consideration of RMB14,560,000. The transaction was completed on 14 August 2017.