

**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in On Time Logistics Holdings Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.



**YTO Express Group Co., Ltd.**

*(A joint stock limited liability company incorporated  
in the People's Republic of China)*

**(SSE Stock Code: 600233)**



**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)**

**YTO Global Holdings Limited**

**圓通國際控股有限公司**

*(Incorporated in Hong Kong*

*with limited liability)*

**COMPOSITE DOCUMENT RELATING TO  
THE UNCONDITIONAL MANDATORY CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF THE OFFEROR TO  
ACQUIRE ALL THE ISSUED SHARES OF, AND  
CANCEL ALL OUTSTANDING OPTIONS IN,  
ON TIME LOGISTICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
THE PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to the Offeror**



**Independent Financial Adviser to the Independent Board Committee**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Haitong International Securities containing, amongst other things, details of the terms and conditions of the Offers is set out on pages 8 to 18 of this Composite Document. A letter from the Board is set out on pages 19 to 25 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers is set out on pages 26 to 27 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offers is set out on pages 26 to 27 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out on pages I-1 to I-12 in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance.

Acceptances of the Share Offer must be received by the Registrar, Tricor Investor Service Limited, at Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Friday, 1 December 2017 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code. Acceptance of the Option Offer must be received by the company secretary of the Company at Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong by no later than 4:00 p.m. on Friday, 1 December 2017 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Important notices" and the paragraph headed "Overseas Holder(s)" in the "Letter from Haitong International Securities" contained in this Composite Document before taking any action. It is the responsibility of each Overseas Holder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Holders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.ontime-express.com](http://www.ontime-express.com) as long as the Offers remain open.

10 November 2017

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## EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Any change to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. All time and date references contained in this Composite Document and accompanying Form(s) of Acceptance refer to Hong Kong times and dates.

Despatch date of this Composite Document and  
the accompanying Form(s) of Acceptance and  
the commencement date of the Offers (*Note 1*) . . . . . Friday, 10 November 2017

Latest time and date for acceptance of  
the Offers (*Notes 2 and 4*) . . . . . 4:00 p.m. on Friday,  
1 December 2017

Closing Date (*Note 1*) . . . . . Friday,  
1 December 2017

Announcement of the results of the Offers  
as at the Closing Date on  
the website of the Stock Exchange (*Note 2*) . . . . . by 7:00 p.m. on Friday,  
1 December 2017

Latest date for posting of remittances in  
respect of valid acceptances received  
under the Offers (*Notes 3 and 4*) . . . . . Tuesday,  
12 December 2017

*Notes:*

1. The Offers, which are unconditional, are made on Friday, 10 November 2017, the date of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offers are irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the section headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
2. In accordance with the Takeovers Code, the Offers must be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offers is 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. An announcement in respect of the result of the Offers will be jointly issued by the Company and the Offeror on the website of the Stock Exchange by 7:00 p.m. on the Closing Date, stating whether the Offers have been extended, revised or expired. In the event that the Offeror decides to extend the Offers and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the Offers.
3. Remittances in respect of the cash consideration for the Offer Shares (after deducting the sellers' ad valorem stamp duty) and/or the Options tendered under the Offers will be despatched to the Shareholder(s) and/or the accepting Optionholder(s) by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days from the date on which the duly completed Form(s) of Acceptance and the relevant documents of title of the Shares or the Options (as the case may be) are received by the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the Option Offer) to render each of such acceptance of any of the Share Offer or the Option Offer complete and valid. Please refer to the section headed "Procedures for acceptance" and "Settlement of the Offers" in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further information.

<b>EXPECTED TIMETABLE</b>
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4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.

## IMPORTANT NOTICES

### **NOTICE TO OVERSEAS HOLDERS(S)**

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due by such accepting Overseas Holder(s) in respect of such jurisdiction. The Offeror, Haitong International Securities, Haitong International Capital, the Company, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, associates, professional advisers or any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the section headed "Overseas Holder(s)" in Appendix I of this Composite Document.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties as well as assumptions. All statements other than statements of historical fact are statements that could be deemed as forward-looking statements.

## DEFINITIONS

*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, those defined terms are not include in the table below:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	Friday, 1 December 2017, being the first date on which the Offers are permitted to be closed, which is 21 days after the date on which this Composite Document is posted, or if the Offers are extended or revised, any subsequent closing date of the Offers as may be determined and announced jointly by the Offeror and the Company with the consent of the Executive in accordance with the Takeovers Code
“Company”	On Time Logistics Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares
“Composite Document”	this composite offer and response document in respect of the Offers jointly despatched to the Shareholders and Optionholders by YTO Express, the Offeror and the Company in accordance with the Takeovers Code
“Consideration”	the sum of HK\$1,041,116,160, being the aggregate consideration of the Sale Shares
“Director(s)”	the director(s) of the Company

## DEFINITIONS

“encumbrance”	any claim, mortgage, charge, pledge, lien, restriction, assignment, power of sale, hypothecation, security interest, title retention, trust arrangement, subordination arrangement, contractual right of set-off or any other agreement or arrangement the effect of which is the creation of security, or any other interest, equity or other right of any person (including any right to acquire, option, right of first refusal or right of pre-emption), or any agreement, arrangement or obligation to create any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director
“EUR”	Euro, the lawful currency of the European Union
“Form(s) of Acceptance”	collectively, the WHITE Form of Share Offer Acceptance and the PINK Form of Option Offer Acceptance accompanying this Composite Document, and the “Form(s) of Acceptance” shall mean each and any one of them
“Group”	the Company and its subsidiaries from time to time
“Guarantors”	Mr. Lam and Mr. Haenisch
“Haenisch Investco”	Polaris International Holdings Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Haenisch
“Haenisch Sale Shares”	105,000,000 Shares owned by Haenisch Investco, representing approximately 25.35% of the total issued share capital of the Company as at the Latest Practicable Date, which were sold by Haenisch Investco to the Offeror pursuant to the terms of the SPA
“Haitong International Capital”	Haitong International Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror
“Haitong International Securities”	Haitong International Securities Company Limited, a fellow subsidiary of Haitong International Capital, and is a licensed corporation to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror

## DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors appointed by the Company, being Mr. Poon Ka Lee, Barry, Mr. Ng Wai Hung and Mr. Wong See Ho, established for the purpose of advising the Independent Shareholders and the Optionholders in respect of the Offers
“Independent Financial Adviser” or “Investec”	Investec Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on Securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee, the Optionholders and the Independent Shareholders in respect of the Offers
“Independent Shareholder(s)”	the Shareholders other than the Offeror and the parties acting in concert with it (including Mr. Lam, Lam Investco, Mr. Haenisch and Haenisch Investco)
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates
“Joint Announcement”	the announcement dated 8 May 2017 jointly issued by the Company and YTO Express in relation to, among other things, the SPA and the Offers
“Lam Investco”	Golden Strike International Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Lam
“Lam Remaining Shares”	41,280,000 Shares held by Lam Investco and indirectly owned by Mr. Lam upon Completion, representing 9.96% of the issued share capital of the Company as at the Latest Practicable Date
“Lam Sale Shares”	150,820,000 Shares owned by Lam Investco and Mr. Lam, representing approximately 36.41% of the total issued share capital of the Company as at the Latest Practicable Date, which were sold by Lam Investco and Mr. Lam to the Offeror pursuant to the terms of the SPA



## DEFINITIONS

“Last Trading Day”	8 May 2017, the last trading day of the Shares prior to the issue of the Joint Announcement
“Latest Practicable Date”	7 November 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Haenisch”	Mr. Haenisch Hartmut Ludwig, an executive Director
“Mr. Lam”	Mr. Lam Chun Chin Spencer, an executive Director who held approximately 9.96% of the issued share capital of the Company through Lam Investco as at the Latest Practicable Date
“Offer Period”	the period commencing from 27 July 2016, being the date the Company published the Rule 3.7 Announcement, and ending on the Closing Date
“Offer Share(s)”	all the Share(s) in issue, other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it
“Offeror”	YTO Global Holdings Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of YTO Express
“Offers”	the Share Offer and the Option Offer
“On Time BVI”	On Time Worldwide Logistics Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Options”	the share options granted or to be granted by the Company under the Share Option Scheme
“Optionholder(s)”	holder(s) of the Options
“Option Offer”	the offer made by Haitong International Securities on behalf of the Offeror (and the parties acting in concert with it) in accordance with the Takeovers Code for the Options
“Option Offer Price”	HK\$2.4198 per Option in respect of the Option Offer

## DEFINITIONS

“Overseas Holder(s)”	the Overseas Optionholder(s) and/or the Overseas Shareholder(s)
“Overseas Optionholder(s)”	Optionholder(s) whose address(es), as shown on the register of optionholders of the Company, are outside Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, are outside Hong Kong
“PINK Form of Option Offer Acceptance”	the pink form of acceptance for cancellation of all outstanding Options in respect of the Option Offer
“PRC”	the People’s Republic of China (which for the purpose of this Composite Document shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Relevant Period”	the period commencing 27 January 2016, being the date falling six months before 27 July 2016, being the date of the commencement of the Offer Period, up to and including the Latest Practicable Date
“Rule 3.7 Announcement”	the announcement dated 27 July 2016 and published by the Company pursuant to Rule 3.7 of the Takeovers Code
“Sale Share(s)”	the Lam Sale Shares and the Haenisch Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Share Offer”	the unconditional mandatory general cash offer being made by Haitong International Securities on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code
“Share Offer Price”	HK\$4.0698 per Offer Share in respect of the Share Offer

## DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by the Company on 21 June 2014
“Shareholder(s)”	registered holder(s) of the Shares
“SPA”	the share purchase agreement dated 8 May 2017 (as amended by the first supplemental agreement dated 29 May 2017 and the second supplemental agreement dated 20 October 2017) and entered into among the Vendors, YTO Express and the Guarantors in respect of the sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	collectively, Mr. Lam, Mr. Haenisch, Lam Investco and Haenisch Investco
“WHITE Form of Share Offer Acceptance”	the white form of acceptance and transfer of Shares in respect of the Share Offer
“YTO Express”	圓通速遞股份有限公司 (YTO Express Group Co., Ltd.*), a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600233) and indirectly wholly-owns the Offeror as at the Latest Practicable Date
“YTO Express Group”	YTO Express and its subsidiaries
“Yuantong Jiaolong”	上海圓通蛟龍投資發展(集團)有限公司 (Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.*), a company established in the PRC and the controlling shareholder of YTO Express which directly held approximately 51.18% of the equity interest in the share capital of YTO Express
“Yuan Jun”	上海圓鈞國際貿易有限公司 (Shanghai Yuan Jun International Trading Company Limited*), a company established in the PRC and a wholly-owned subsidiary of YTO Express, and directly wholly-owns the Offeror
“%”	per cent.

## DEFINITIONS

1. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
2. Certain English translations of Chinese names or words or Chinese translations of English names or words in this Composite Document are included for information and identification purposes only and should not be regarded as the official English translation of such Chinese names or words or Chinese translation of such English names or words, respectively.
3. The singular includes the plural and vice versa, unless the context otherwise requires.
4. References to any Appendix, paragraph and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively.
5. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
6. Reference to one gender is a reference to all or any genders.
7. All time and date references contained in this Composite Document refer to Hong Kong times and dates.

\* *For identification purposes only*



Haitong International Securities Company Limited  
22/F, Li Po Chun Chambers  
189 Des Voeux Road Central, Hong Kong

10 November 2017

*To Independent Shareholders and Optionholders*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF THE OFFEROR TO  
ACQUIRE ALL THE ISSUED SHARES OF, AND  
CANCEL ALL OUTSTANDING OPTIONS IN,  
ON TIME LOGISTICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
THE PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement made jointly by the Company and the YTO Express in relation to, among other matters, the SPA and the Offers. Terms used in this letter have the same meanings as defined in this Composite Document unless the context otherwise requires.

As mentioned in the Joint Announcement, pursuant to the SPA entered into between YTO Express, the Vendors and the Guarantors on 8 May 2017, YTO Express agreed to acquire and the Vendors agreed to dispose of, and procure the disposal of, an aggregate of 255,820,000 Shares, representing approximately 61.87% of the entire issued share capital of the Company as at the date of the Joint Announcement and approximately 61.75% of the entire issued share capital of the Company as at the Latest Practicable Date, at a total cash consideration of HK\$1,041,116,160, equivalent to approximately HK\$4.0698 per Sale Share. Completion took place on 3 November 2017.

Immediately after Completion, the Offeror and the parties acting in concert with it own 297,100,000 Shares (including the Lam Remaining Shares), representing approximately 71.72% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general cash offer for all issued Shares and outstanding Options (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

This letter sets out, amongst other things, details of the terms of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms and procedures of acceptance of the Offers are set out in this letter, Appendix I to this Composite Document, and the accompanying Form(s) of Acceptance.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

The Independent Shareholders and the Optionholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document and to consult their professional advisers if in doubt.

### THE OFFERS

Haitong International Securities, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offers to (i) acquire all the Offer Shares; and (ii) cancel all the Options on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

#### The Share Offer

For each Offer Share . . . . . HK\$4.0698 in cash

#### The Option Offer

For cancellation of each Option with  
an exercise price of HK\$1.65 per new Share . . . . . HK\$2.4198 in cash

The Option Offer to cancel each Option is calculated on a “see-through” basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code so that each Optionholder will be entitled to receive the Option Offer Price of HK\$2.4198 per Option which represents the difference between the Share Offer Price of HK\$4.0698 and the prevailing exercise price of the Options of HK\$1.65 each.

The Offers are unconditional in all respects.

#### Undertaking not to accept the Offers

Pursuant to the SPA, Lam Investco has irrevocably undertaken to YTO Express that it will not, and Mr. Lam has irrevocably undertaken to YTO Express that he will procure Lam Investco not to (i) accept the Share Offer in respect of the Lam Remaining Shares held or controlled by it (the “**Irrevocable Undertaking**”); or (ii) transfer or sell any Lam Remaining Shares held or controlled by it before the close of the Share Offer. Lam Investco has further irrevocably undertaken, and Mr. Lam has irrevocably undertaken to YTO Express that he will procure Lam Investco, within three years from the close of the Offers (the “**Sale Restriction Period**”), not to (i) dispose of or transfer more than one-third of the Lam Remaining Shares up to the end of the first anniversary; (ii) dispose of or transfer in aggregate more than two-thirds of the Lam Remaining Shares up to the end of the second anniversary, but (iii) can dispose of or transfer all of the Lam Remaining Shares during the remaining term of the Sale Restriction Period. Mr. Lam has also irrevocably undertaken to YTO Express that he will not dispose of or transfer any interests in Lam Investco within three years from the close of the Offers.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### Comparisons of value

The Share Offer Price represents:

- (i) a discount of approximately 0.98% to the closing price of HK\$4.11 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 5.16% over the closing price of HK\$3.87 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 7.38% over the average closing price of HK\$3.79 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 9.11% over the average closing price of HK\$3.73 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 14.64% over the average closing price of HK\$3.55 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 210.67% over the closing price of HK\$1.31 per Share as quoted on the Stock Exchange on 26 July 2016, being the last business day immediately prior to the commencement of the Offer Period; and
- (vii) a premium of approximately 244.90% over the unaudited condensed consolidated net asset value of the Company of approximately HK\$1.18 per Share as at 30 June 2017, the date to which the latest audited financial results of the Group were made up.

### Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares was HK\$4.20 per Share as quoted on the Stock Exchange on 12, 20 and 23 October 2017 and the lowest closing price of the Shares was HK\$0.86 per Share as quoted on the Stock Exchange on 12 February 2016.

### Value of the Offers

As at the Latest Practicable Date, there were 414,270,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options are exercised and on the basis of the Share Offer Price at HK\$4.0698 per Share, the entire issued share capital of the Company is valued at approximately HK\$1,685,996,046.

Assuming that all the 1,316,000 outstanding Options are fully exercised, there will be 415,586,000 Shares in issue and, on the basis of the Share Offer Price at HK\$4.0698 per Share, the entire issued share capital of the Company is valued at approximately HK\$1,691,351,903.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

Based on the foregoing, the aggregate cash consideration payable by the Offeror under the Offers (assuming no Options are exercised and full acceptances under the Offers) will be approximately HK\$480,042,922.80 (excluding the Lam Remaining Shares). The aggregate cash consideration payable by the Offeror under the Offers (assuming all Options are exercised and full acceptances under the Offers) will be approximately HK\$482,214,322.80 (excluding the Lam Remaining Shares).

### **Confirmation of financial resources**

The Offeror will finance the consideration payable under the Offers by external debt financing. The principal lender of such debt financing is China Merchants Bank Company Limited, Hong Kong Branch. The Offeror confirms that the payment of interest and repayment of or security for such debt financing will not depend to any extent on the business of the Group.

Haitong International Capital, as the financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy the consideration payable upon full acceptances of the Offers (excluding the Lam Remaining Shares).

### **Dealing and interest in the Company's securities**

Save and except the Sale Shares, the Offeror and parties acting in concert with it (including Mr. Lam and Mr. Haenisch) have not dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period prior to 27 July 2016 up to the Latest Practicable Date.

### **Other arrangements**

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save as the Sale Shares and the Lam Remaining Shares, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them (including Mr. Lam and Mr. Haenisch) owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (ii) the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them (including Mr. Lam and Mr. Haenisch) have not received any irrevocable commitment to accept the Offers;
- (iii) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them (including Mr. Lam and Mr. Haenisch);
- (iv) Save and except for the Irrevocable Undertaking, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;



## LETTER FROM HAITONG INTERNATIONAL SECURITIES

- (v) Save and except for the SPA and the Irrevocable Undertaking, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them (including Mr. Lam and Mr. Haenisch) is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them (including Mr. Lam and Mr. Haenisch) has borrowed or lent; and
- (vii) there is no special deal under Rule 25 of the Takeovers Code between (i) Mr. Lam, Mr. Haenisch and any other shareholder of the Company; and (ii) the Offeror and its concert parties (excluding Mr. Lam and Mr. Haenisch). Save for the Consideration, each of Mr. Lam, Mr. Haenisch or any of their respective concert parties has not and will not receive any other consideration or benefits in whatever form from the Offeror or its concert parties (excluding Mr. Lam and Mr. Haenisch).

### **Effect of accepting the Offers**

By accepting the Share Offer, the Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

Following the acceptance of the Option Offer, the Options together with all rights attaching thereto will be cancelled and renounced. Pursuant to the terms of the Share Option Scheme, the Optionholders are entitled to exercise the Options in full (to the extent not already exercised) at any time and up to the Closing Date after the date on which the Share Offer becomes or is declared unconditional, after which the Options shall lapse automatically.

Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the section headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

### **Compulsory Acquisition**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offers.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### **Payment**

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event, within seven (7) Business Days from the date on which the duly completed acceptances of the Offers and the relevant documents of title in respect of such acceptances are received by the Registrar (in case of the Share Offer) or the company secretary of the Company (in case of the Option Offer) to render such acceptance complete and valid. Settlement of the amounts due to the Independent Shareholders and the Optionholders who accept the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholders or Optionholders.

### **Hong Kong stamp duty**

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Share Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and will pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Option Offer.

### **Overseas Holder(s)**

The Overseas Holder(s) should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Holder(s) who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holder(s) in respect of such jurisdictions).

### **INFORMATION ON THE GROUP**

Information on the Group is set out in the section headed "Information of the Group" in the "Letter from the Board" as contained in this Composite Document.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of YTO Express, a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600233). As at the Latest Practicable Date, the sole director of the Offeror was Mr. Yu Zhixian and the directors of YTO Express were Mr. Yu Huijiao, Ms. Zhang Xiaojuan, Mr. Zhang Yizhong, Mr. He Weiping, Mr. Yu Zhixian, Mr. Chen Guogang, Mr. Pan Shuimiao, Mr. Yuan Yaohui and Ms. Tong Wenhong. As at the Latest Practicable Date, YTO Express was held as to approximately 51.18% by Yuantong Jiaolong, which is a company established in the PRC and is held as to 51% by Mr. Yu Huijiao and 49% by Ms. Zhang Xiaojuan (the spouse of Mr. Yu Huijiao). As at the Latest Practicable Date, the directors of Yuantong Jiaolong are Mr. Yu Huijiao, Ms. Zhang Xiaojuan and Mr. Zhang Yizhong. The Offeror and YTO Express have confirmed that, Mr. Yu Huijiao, Ms. Zhang Xiaojuan and the directors of the Offeror, YTO Express and Yuantong Jiaolong are Independent Third Parties.

The YTO Express Group is principally engaged in warehousing, distribution and transportation of goods. As a leader in the express and courier service market in the PRC, the YTO Express Group is optimistic in the growth of the global express and courier service market in the next few years and it intends to expand its business to the overseas market. As the Group is principally engaged in the air freight forwarding business and has established an extensive network overseas including Asia, Europe and North America; the YTO Express Group believes that the acquisition of the Sale Shares would create synergies between the YTO Express Group and the Group which will be beneficial to both parties in developing their business in the PRC and overseas markets as well as broadening their income stream. It is expected that the acquisition of the Sale Shares can bring certain benefits including the expansion of the Group's global presence, and the sharing of resources and customer base between the YTO Express Group and the Group.

### FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the business of the Group and maintain the employment of the operational and administrative employees of the Group (except for the proposed changes to the members of the Board as detailed in the sub-paragraph headed "Proposed change of Board composition" below).

As at the Latest Practicable Date, the Offeror has no intention to dispose or downsize the business or the assets of the Group, and has no plan for any acquisition of assets and/or business of the Group. However, the Offeror will, following completion of the Offers, conduct a detailed review of the operations of the Group and formulate feasible business strategies with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Group should appropriate opportunities arise.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

### PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of five executive Directors and three independent non-executive Directors. Pursuant to the SPA, the Vendors shall cause all Directors, except Mr. Lam, to give notice to resign as Directors with effect from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable regulations. It is intended that Mr. Yu Huijiao (喻會蛟), Mr. Li Xianjun (李顯俊), Mr. Su Xiufeng (蘇秀鋒), Mr. Zhu Rui (朱銳), Mr. Lin Kai (林凱), Mr. Li Dong Hui (李東輝), Mr. Xu Junmin (徐駿民) and Mr. Chung Kwok Mo John (鍾國武) will be nominated as new directors and such appointments will take effect from the close of the Offers. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules. The biographies of the new Directors to be nominated are set out below:

#### Proposed executive Director

**Mr. Li Xianjun (“Mr. Li”)**, aged 45, obtained a bachelor’s degree in economy management from 華東理工商貿學院 (East China Polytechnic Institute of Commerce\*) in July 2007. Mr. Li joined YTO Express Group in March 2002 and held a number of various managerial positions in different branch offices. Mr. Li currently serves as the general manager of the Southern China region in the YTO Express Group.

#### Proposed non-executive Director

**Mr. Yu Huijiao (“Mr. Yu”)**, aged 51, obtained a bachelor’s degree in information system application and management from 解放軍信息工程大學 (PLA Information Engineering University\*) in December 2013. Mr. Yu founded 圓通速遞有限公司 (Yuantong Express Delivery Co., Ltd.\*), a subsidiary of YTO Express, in May 2000 and currently serves as the board chairman and chief executive officer of YTO Express. Mr. Yu served as the chairman of the board of Yuantong Jiaolong since December 2010.

**Mr. Su Xiufeng (“Mr. Su”)**, aged 42, obtained a bachelor’s degree in English literature from 廣東外國語學院 (Guangdong Foreign Languages Institute\*) in June 1995 and a master of business administration degree from the City University of Seattle in September 2006. Mr. Su joined YTO Express Group in December 2015 and currently serves as the vice president of YTO Express and chairman of 杭州圓通貨運航空有限公司 (YTO Cargo Airlines Co., Ltd.\*). Prior to joining YTO Express Group, Mr. Su served as the chief executive officer of 浙江長龍航空有限公司 (Zhejiang Loong Airlines Co., Ltd\*) (previously known as 長龍國際貨運航空有限公司 (Loong International Freight Co., Ltd\*)) from November 2011 to April 2013.

**Mr. Zhu Rui (“Mr. Zhu”)**, aged 33, obtained a master’s degree in law from 華東政法大學 (East China University of Political Science and Law\*) in June 2008. Mr. Zhu joined YTO Express Group in October 2015 and currently serves as the vice president and the secretary to the board of YTO Express. Prior to joining YTO Express, from July 2008 to September 2015, Mr. Zhu was an executive director of the investment banking department of Guotai Junan Securities Co. Ltd., the share of which are listed on the Shanghai Stock Exchange (stock code: 601211).

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

**Mr. Lin Kai (“Mr. Lin”)**, aged 41, obtained a master of business administration degree from De La Salle University in December 2003. Mr. Lin joined YTO Express Group in August 2016 and currently serves as the vice president and chief financial officer of YTO Express. Prior to joining YTO Express, Mr. Lin served as the partner of 寧波航捷投資合夥企業(有限合夥) (Ningbo Hangjie Investment Partnership (Limited Partnership)\*) from January 2016 to August 2016. Between April 2014 and January 2016, Mr. Lin served as the vice president of Finance 上海韻達貨運有限公司 (Shanghai Yunda Freight Co., Ltd\*).

### **Proposed independent non-executive Directors**

**Mr. Li Donghui (“Mr. Li”)**, aged 47, obtained a bachelor’s degree in philosophy from Renmin University of China in July 1991, a master’s degree in management engineering from 北京機械工業學院 (Beijing Institute of Machinery\*) in June 1997, and a master of business administration degree from Indiana University Kelly School of Business in March 2010. Mr. Li currently serves as executive vice president and chief financial officer of Zhejiang Geely Holdings Group Co., Ltd. (“**Geely**”), board member of Volvo Car Corporation (a subsidiary of Zhejiang Geely Holdings Group) and executive director and vice chairman of Geely Automobile Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0175). Prior to joining Geely, Mr. Li served as the vice president and chief financial officer of Guangxi Liugong Machinery Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 000528) between December 2009 to March 2011. Between May 2014 to June 2016., Mr. Li served as the vice chairman and the president (finance) of Beijing Orient Landscape Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002310).

**Mr. Xu Junmin (“Mr. Xu”)**, aged 53, obtained a bachelor’s degree in electromagnetic engineering from 上海科學技術大學 (Shanghai University of Science and Technology\*) in July 1987 and an executive master of business administration degree from Arizona State University in May 2009. Between February 2010 to September 2010, Mr. Xu has been serving as the secretary to the board of Shanghai Richtech Engineering Co., Ltd., a company listed on the National Equities Exchange and Quotations (stock code: 832547). Mr. Xu has been serving as the board secretary of 上海吉祥航空有限公司 (Shanghai Jixiang Airlines\*), a company listed on the Shanghai Stock Exchange (stock code: 603885) since November 2010, the director of 九元航空有限公司 (9 Air Company Limited\*) since December 2010, executive director and general manager of 上海吉寧文化傳媒有限公司 (Jining Culture Media Co., Ltd\*) since November 2013, independent director of Shanghai 2345 Network Holding Group Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 002195) since May 2016.

**Mr. Chung Kwok Mo John (“Mr. Chung”)**, aged 48, obtained a bachelor degree in economics from Macquarie University in April 1992. Mr. Chung is currently the independent non-executive director of BYD Electronic (International) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 285) since June 2013 and Zhengye International Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3363) since March 2011. Mr. Chung served as the chief financial officer of Xiwang Property Holdings Company Limited (previously known as Xiwang Sugar Holdings Company Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2088) between May 2008 to September 2011, its

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

financial consultant from September 2011 to July 2013 and was re-designated as its executive vice president between July 2013 to December 2013. Between September 2011 to July 2013, Mr. Chung served as the chief financial officer of Xiwang Special Steel Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1266) and was re-designated as its executive vice president since July 2013. Mr. Chung became a member of the Australian Society of Certified Practising Accountants since November 1995 and Hong Kong Society of Accountants since February 1996.

Further announcement(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

### **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### **GENERAL**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Holder(s) is drawn to paragraph headed "Overseas Holder(s)" in Appendix I to this Composite Document.

## LETTER FROM HAITONG INTERNATIONAL SECURITIES

All documents and remittances will be sent to the Independent Shareholders and the Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Optionholders at their respective addresses as appeared in the register of members of the Company or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the said register of members of the Company or in the case of Optionholders at their respective addresses as appeared in the register of the Optionholders. None of the Offeror, the Company, Haitong International Capital, Haitong International Securities, the Independent Financial Adviser, the Registrar, or any of their respective ultimate beneficial owners, directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

You are reminded to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” set out in this Composite Document and to consult your professional advisers as you see fit. Your attention is drawn to the additional information set out in the appendices to this Composite Document, which form part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**Haitong International Securities Company Limited**  
**NGAN Man Wing**  
*Authorised Signatory*

\* *For identification purposes only*





**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)**

*Executive Directors:*

Mr. Lam Chun Chin, Spencer  
Mr. Hartmut Ludwig Haenisch  
Ms. Cheung Ching Wa, Camy  
Ms. Wong Pui Wah  
Mr. Dennis Ronald de Wit

*Registered Office:*

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

*Independent non-executive Directors:*

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

*Head office and principal place of  
business in Hong Kong:*

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

10 November 2017

*To the Independent Shareholders and the Optionholders*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF THE OFFEROR TO  
ACQUIRE ALL THE ISSUED SHARES OF, AND  
CANCEL ALL OUTSTANDING OPTIONS IN,  
ON TIME LOGISTICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
THE PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement made jointly by the Company and YTO Express in relation to, among other matters, the SPA and the Offers. Terms used in this letter have the same meanings as defined in this Composite Document unless the context otherwise requires.



## LETTER FROM THE BOARD

As mentioned in the Joint Announcement, pursuant to the SPA entered into between YTO Express, the Vendors and the Guarantors on 8 May 2017, YTO Express agreed to acquire and the Vendors agreed to dispose of an aggregate of 255,820,000 Shares, representing approximately 61.87% of the entire issued share capital of the Company as at the date of the Joint Announcement and approximately 61.75% of the entire issued share capital of the Company as at the Latest Practicable Date, at a total cash consideration of HK\$1,041,116,160, or HK\$4.0698 per Sale Share. Completion took place on 3 November 2017.

Immediately after Completion, the Offeror and the parties acting in concert with it own 297,100,000 Shares (including the Lam Remaining Shares), representing approximately 71.72% as at the Latest Practicable Date. Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general cash offer for all issued Shares and outstanding Options (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Poon Ka Lee, Barry, Mr. Ng Wai Hung and Mr. Wong See Ho, has been established to advise the Independent Shareholders and the Optionholders as to whether or not the Offers are fair and reasonable and as to the acceptance of the Offers. As at the Latest Practicable Date, each of the independent non-executive Directors had no other direct or indirect interest in the Offers.

Investec has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the Offers as to whether or not the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to the acceptance of the Offers. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

Further terms of the Offers and the procedures of acceptance are set out in the “Letter from Haitong International Securities” and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offers, the letter of advice from the Independent Board Committee to the Independent Shareholders and the Optionholders and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

### THE OFFERS

The “Letter from Haitong International Securities” in this Composite Document contains the information in respect of the Offers and the principal terms of the Offers are extracted below.

You are recommended to refer to the “Letter from Haitong International Securities”, Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further details.

## LETTER FROM THE BOARD

Haitong International Securities, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offers to (i) acquire all the Offer Shares; and (ii) cancel all the Options, on the terms set out in this Composite Document issued in accordance with the Takeovers Code on the following basis:

### **The Share Offer**

For each Offer Share ..... HK\$4.0698 in cash

### **The Option Offer**

For cancellation of each Option with  
an exercise price of HK\$1.65 per new Share ..... HK\$2.4198 in cash

The Option Offer to cancel each Option is calculated on a “see-through” basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code so that each Optionholder will be entitled to receive the Option Offer Price of HK\$2.4198 per Option which represents the difference between the Share Offer Price of HK\$4.0698 and the prevailing exercise price of the Options of HK\$1.65 each.

The Offers are unconditional in all respects.

### **Value of the Offers**

As at the Latest Practicable Date, there were 414,270,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options are exercised and on the basis of the Share Offer Price at HK\$4.0698 per Share, the entire issued share capital of the Company is valued at approximately HK\$1,685,996,046.

Assuming that all the 1,316,000 outstanding Options are fully exercised, there will be 415,586,000 Shares in issue and, on the basis of the Share Offer Price at HK\$4.0698 per Share, the entire issued share capital of the Company is valued at HK\$1,691,351,903.

Based on the foregoing, the aggregate cash consideration payable by the Offeror under the Offers (assuming no Options are exercised and full acceptances under the Offers) will be approximately HK\$480,042,922.80 (excluding the Lam Remaining Shares). The aggregate cash consideration payable by the Offeror under the Offers (assuming all Options are exercised and full acceptances under the Offers) will be approximately HK\$482,214,322.80 (excluding the Lam Remaining Shares).

## LETTER FROM THE BOARD

### **Further details of the Offers**

The Board would like to remind the Optionholders that, in accordance with the terms of the Share Option Scheme, the Optionholders are entitled to exercise the Options in full (to the extent not already exercised) at any time after the date on which the Share Offer becomes or is declared unconditional and up to the Closing Date, after which the Options shall lapse automatically. Accordingly, as the Offers are unconditional, the Optionholders who intend to accept the Share Offer should exercise their Options or accept the Option Offer in respect of their Options (as the case may be), before the latest date for acceptance of the Offers on 1 December 2017.

You are advised to refer to the “Letter from Haitong International Securities”, the “Letter from the Independent Financial Adviser”, Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further terms and conditions of the Offers and the procedures for acceptance and settlement of the Offers.

### **INFORMATION ON THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange. The Group is principally engaged in the provision of air and ocean freight forwarding complemented by ancillary and contract logistics services, which include warehousing, distribution and customer clearance and general sales agency and other businesses, which include trucking, combine shipment, hand-carry services and e-commerce business.

Your attention is drawn to the financial information of the Group set out in Appendix II to this Composite Document.

# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; (ii) immediately after Completion and as at the Latest Practicable Date, and (iii) immediately after Completion but before close of the Offers (assuming all of the Options have been exercised at or prior to close of the Offers):

Shareholders	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date		Immediately after Completion but before close of the Offers (assuming all of the Options have been exercised at or prior to close of the Offers)	
	Number of Shares	(approximately) %	Number of Shares	(approximately) %	Number of Shares	(approximately) %
<b>Directors</b>						
Mr. Lam	192,100,000	46.37	41,280,000	9.96	41,280,000	9.93
Mr. Haenisch	105,000,000	25.34	–	–	–	–
Ms. Wong Pui Wah	400,000	0.10	400,000	0.10	598,000	0.14
Ms. Cheung Ching Wa Camy	4,084,000	0.99	4,084,000	0.99	4,084,000	0.98
<b>Substantial Shareholders</b>						
The Offeror and parties acting in concert with it (excluding Mr. Lam and Mr. Haenisch)	–	–	255,820,000	61.75	255,820,000	61.56
<b>Other public Shareholders</b>	<u>112,686,000</u>	<u>27.20</u>	<u>112,686,000</u>	<u>27.20</u>	<u>113,804,000</u>	<u>27.39</u>
<b>Total</b>	<u>414,270,000</u>	<u>100.00</u>	<u>414,270,000</u>	<u>100.00</u>	<u>415,586,000</u>	<u>100.00</u>

## LETTER FROM THE BOARD

### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the paragraphs headed “Information on the Offeror” and “Future Intentions of the Offeror regarding the Group” in the “Letter from Haitong International Securities” in this Composite Document. Also, as set out in the paragraph headed “Proposed change of Board composition” in the “Letter from Haitong International Securities” in this Composite Document, the Offeror has no intention to discontinue the employment of the employees (save for the proposed changes in the composition of the Board). The Board is aware of the intention of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Board does not have any intention and/or has entered into any agreement, arrangements, understanding to (i) acquire any new business; and/or (ii) downsize or dispose of the Company’s existing businesses and material operating assets.

### PROPOSED CHANGE OF THE BOARD COMPOSITION

Please refer to the paragraph headed “Proposed change of Board composition” in the “Letter from Haitong International Securities” in this Composite Document. Any change to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

**The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**

According to the “Letter from Haitong International Securities” in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board in this Composite Document have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

## LETTER FROM THE BOARD

### RECOMMENDATIONS

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 26 to 27 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders and the Optionholders in respect of the Offers; and (ii) the “Letter from the Independent Financial Adviser” set out on pages 28 to 59 of this Composite Document, which contains its advice to the Independent Board Committee in relation to the Offers and the principal factors considered by it before arriving at its recommendations.

In considering what action to take in connection with the Offers, you should also consult your professional advisers as to the tax implications that may arise from accepting the Offers.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to carefully read the section headed “Further terms of the Offers and procedures of acceptance and settlement” set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the terms and procedures for the acceptance and settlement of the Offers.

By order of the Board  
**On Time Logistics Holdings Limited**  
**Lam Chun Chin, Spencer**  
*Chairman & Chief Executive Officer*



**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)**

10 November 2017

*To the Independent Shareholders and the Optionholders*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF THE OFFEROR TO  
ACQUIRE ALL THE ISSUED SHARES OF, AND  
CANCEL ALL OUTSTANDING OPTIONS IN,  
ON TIME LOGISTICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
THE PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to the Composite Document dated 10 November 2017 jointly issued by the Company and the Offeror, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether or not, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to acceptance of the Offers after taking into account the advice from the Independent Financial Adviser.

Investec has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offers and as to acceptance thereof. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from the Independent Financial Adviser" on pages 28 to 59 of the Composite Document.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the sections headed “Letter from Haitong International Securities”, the “Letter from the Board” and the additional information set out in the Composite Document, including the appendices to this Composite Document and the accompanying Form(s) of Acceptance in respect of the terms of the Offers and the acceptance and settlement procedures for the Offers.

### RECOMMENDATIONS

Having taken into account the terms of the Offers, the advice and recommendations of Investec and the principal factors taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Therefore, we recommend the Independent Shareholders and the Optionholders to accept the Offers.

Notwithstanding our recommendation, the Independent Shareholders and Optionholders should carefully consider the terms of the Offers and the full text of the “Letter from the Independent Financial Adviser” as set out in the Composite Document and then decide whether to accept or reject the Offers.

Independent Shareholders are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, where possible, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer. Optionholders should likewise consider exercising their Options in accordance with the terms of the Share Option Scheme and selling in the market the Shares issued to them, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Option Offer.

Notwithstanding our recommendation, the Independent Shareholders and the Optionholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives and you should carefully consider the terms of the Offers. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and the Optionholders who wish to accept the Offers are recommended to carefully read the procedures for accepting the Offers as detailed in the Composite Document.

Yours faithfully,  
For and on behalf of the  
*Independent Board Committee of*  
**On Time Logistics Holdings Limited**

**Mr. Poon Ka Lee, Barry**  
*Independent non-executive*  
*Director*

**Mr. Ng Wai Hung**  
*Independent non-executive*  
*Director*

**Mr. Wong See Ho**  
*Independent non-executive*  
*Director*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee, the Independent Shareholders and the Optionholders in respect of the Offers prepared for the purpose of inclusion in the Composite Document.*



Investec Capital Asia Ltd  
Room 3609, 36/F, Two International Finance Centre  
8 Finance Street, Central, Hong Kong  
香港中環金融街8號  
國際金融中心二期36樓3609室  
Tel/電話: (852) 3187 5000  
Fax/傳真: (852) 2501 0171  
www.investec.com

10 November 2017

*To: The independent board committee, the shareholders  
and the optionholders of On Time Logistics Holdings Limited*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF THE OFFEROR TO  
ACQUIRE ALL THE ISSUED SHARES OF, AND  
CANCEL ALL OUTSTANDING OPTIONS IN  
ON TIME LOGISTICS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders and the Optionholders with respect to the Offers, details of which are set out in composite offer and response document dated 10 November 2017 jointly issued by the Company and the Offeror to the Shareholders and the Optionholders (the “**Composite Document**”), of which this letter forms part. Unless otherwise stated, terms defined in the Composite Document have the same meanings in this letter.

As set out in the Composite Document, the Vendors, the Offeror and the Guarantors entered into the SPA on 8 May 2017. Pursuant to the SPA, the Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase, in aggregate, 255,820,000 Sale Shares, representing approximately 61.87% of the issued share capital of the Company as at the date of the Joint Announcement. The total consideration for the Sale Shares is HK\$1,041,116,160, equivalent to HK\$4.0698 per Sale Share. Completion took place on 3 November 2017.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the “Letter from Haitong International Securities”, immediately after Completion, (i) the Offeror and parties acting in concert with it (excluding Mr. Lam and Mr. Haenisch) were interested in a total of 255,820,000 Shares, representing (a) approximately 61.75% of the issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 61.56% of the enlarged issued share capital of the Company (assuming all the Options have been exercised at or prior to Completion); and (ii) the Offeror and parties acting in concert with it (including Mr. Lam and Mr. Haenisch) were interested in a total of 297,100,000 Shares, representing (a) approximately 71.72% of the issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 71.49% of the enlarged issued share capital of the Company (assuming all the Options have been exercised at or prior to Completion).

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer to acquire all the Offer Shares. Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer is being made to cancel all the Options in the period prior to the close of the Share Offer (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Subject to and upon Completion, Haitong International Securities, on behalf of the Offeror, is making the Offers to (i) acquire all the Offer Shares at the Share Offer Price of HK\$4.0698 in cash for each; and (ii) cancel all the Options at the Option Offer Price of HK\$2.4198 in cash for cancellation of each Option with an exercise price of HK\$1.65 per new Share.

As at the Latest Practicable Date, the Company has (i) 414,270,000 Shares in issue; and (ii) 1,316,000 Options conferring rights to subscribe for 1,316,000 new Shares which are exercisable at HK\$1.65 per Share until 25 January 2019. Save for the Options, the Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date. Based on the Offer Price of HK\$4.0698 per Offer Share, the entire issued shares of the Company are valued at HK\$1,685,996,046.

### THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 and Rule 2.18 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Poon Ka Lee, Barry, Mr. Ng Wai Hung and Mr. Wong See Ho, none of whom has any direct or indirect interest in the Offers, has been established to advise to the Independent Shareholders and the Optionholders as to whether the Offers are fair and reasonable and as to acceptance. Pursuant to Rule 2.1 of the Takeovers Code, our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. As the Independent Financial Adviser in relation to the Offers, our role is to provide the Independent Board Committee, the Independent Shareholders and the Optionholders with an independent opinion and recommendation as to whether the terms of the Offers are fair and reasonable as far as the Independent Shareholders and the Optionholders are concerned and whether the Independent Shareholders and the Optionholders should, or should not accept the Offers.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we were independent from and not connected with the Group, the Offeror and YTO Express and any party acting in concert with the Offeror, and accordingly, are qualified to give independent advice to the Independent Board Committee, the Independent Shareholders and the Optionholders regarding the Offers. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group contained in the Composite Document and the information and representations provided to us by the Group and/or its senior management staff (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Composite Document or otherwise provided or made or given by the Group and/or Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Composite Document. We have assumed that all the opinions, beliefs and representations for matters relating to the Group made or provided by Management and/or the Directors contained in the Composite Document have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Composite Document.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by Group and/or Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, the Vendors, the Guarantors, the Offeror and their shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### UNCONDITIONAL MANDATORY CASH OFFERS

As set out in the Composite Document, immediately following Completion, the Offeror and parties acting in concert with it (excluding Mr. Lam and Mr. Haenisch) were interested in a total of 255,820,000 Shares, representing (i) approximately 61.75% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 61.56% of the enlarged issued share capital of the Company (assuming all the Options have been exercised at or prior to Completion).

Mr. Lam and Mr. Haenisch are parties presumed to be acting in concert with the Offeror pursuant to class (9) of the definition of “acting in concert” in the Takeovers Code. Immediately following Completion, an aggregate of 297,100,000 Shares, representing approximately 71.72% of the total issued share capital of the Company, were held by the Offeror and its concert parties (including Mr. Lam and Mr. Haenisch). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer to acquire all the Offer Shares. Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer are being made to cancel all the Options in the period prior to the close of the Share Offer.

### PRINCIPAL TERMS OF THE OFFERS

#### The Offers

The Offers are being made by Haitong International Securities on behalf of the Offeror to (i) acquire all the Offer Shares; and (ii) cancel all the Options, in accordance with the Takeovers Code on the following basis:

#### The Share Offer

For each Offer Share ..... HK\$4.0698 in cash

#### The Option Offer

For cancellation of each Option

with an exercise price of HK\$1.65 per new Share ..... HK\$2.4198 in cash

The Option Offer to cancel each Option is calculated on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code so that each Optionholder will be entitled to receive Option Offer Price of HK\$2.4198 per Option which represents the difference between the Share Offer Price of HK\$4.0698 and the prevailing exercise price of the Options of HK\$1.65 each.

The Share Offer Price of HK\$4.0698 per Offer Share is not less than the purchase price per Sale Share paid by the Offeror under the SPA. As set out in the Composite Document, the Offers, are unconditional in all respects.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the “Letter from Haitong International Securities” to the Composite Document, the Offer Price of HK\$4.0698 per Offer Share paid by the Offeror pursuant to the SPA represents:

- (i) a discount of approximately 0.98% to the closing price of HK\$4.11 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 5.16% over the closing price of HK\$3.87 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 7.38% over the average closing price of HK\$3.79 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 9.11% over the average closing price of HK\$3.73 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 14.64% over the average closing price of approximately HK\$3.55 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 244.90% over the unaudited condensed consolidated net asset value of the Company of approximately HK\$1.18 per Share as at 30 June 2017, the date to which the latest audited financial results of the Group were made up.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Company has (i) 414,270,000 Shares in issue; and (ii) 1,316,000 Options conferring rights to subscribe for 1,316,000 new Shares which are exercisable at HK\$1.65 per Share until 25 January 2019. Save for the Options, the Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the making of the Offers and on the basis of the Offer Price at HK\$4.0698 per Share, the entire issued share capital of the Company is valued at approximately HK\$1,685,996,046.

Assuming that all the 1,316,000 outstanding Options are fully exercised prior to the making of the Offers, there will be 415,586,000 Shares in issue and, on the basis of the Offer Price at HK\$4.0698 per Share, the entire issued share capital of the Company is valued at HK\$1,691,351,902.8.

Based on the foregoing, the aggregate cash consideration payable by the Offeror under the Offers (assuming no Options are exercised and full acceptances under the Offers) will be approximately HK\$480,042,922.80 (excluding the Lam Remaining Shares). The aggregate cash consideration payable by the Offeror under the Offers (assuming all Options are exercised and full acceptances under the Offers) will be approximately HK\$482,214,322.80 (excluding the Lam Remaining Shares).

By accepting the Share Offer, the Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document.

Following the acceptance of the Option Offer, the Options together with all rights attaching thereto will be cancelled and renounced. Pursuant to the terms of the Share Option Scheme, the Optionholders are entitled to exercise the Options in full (to the extent not already exercised) at any time within one month after the date on which the Share Offer becomes or is declared unconditional, after which the Options shall lapse automatically. Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Offers, we have taken into consideration the following principal factors:

### 1. Background information of the Group

#### 1.1 *Information on the Group*

The Group is a company incorporated in the Cayman Islands with limited liability the Shares have been listed on the Main Board of the Stock Exchange since July 2014. The Group is principally engaged in the provision of air and ocean freight forwarding services, complemented by the ancillary and contract logistics services, which include warehousing, distribution and customer clearance, and general sales agency and other businesses, which include trucking, combine shipment, hand-carry services and e-commerce business. As noted from the Group's interim report for the six months ended 30 June 2017 (the "**2017 Interim Report**") and the Group's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**"), the Group's core strategy is to (i) strengthen its global presence and expand the Group's office network by aggressively expanding in Asia and the Middle East to meet the increasing cross-border logistics service demand to capture greater market share and trade volume; and (ii) grow its core businesses in air and ocean freight operations and broadening its range of services. It was further stated that, the Group is expected to generate stable income in the medium to long term, which are primarily derived by revenue generated from (i) the global demand for freight forwarding services; (ii) the warehouse and logistics business; (iii) the e-commerce business; and (iv) the improvement in the business environment in the United States and Europe.

As set out in the 2016 Annual Report and the 2017 Interim Report, the Group has five reportable operating segments and has historically derived its revenue primarily from its air freight and ocean freight segments, being the two largest segments by revenue, contributing not less than 65% and not less than 25% of its revenue for each of the six months ended 30 June 2017 and the year ended 31 December 2016, respectively.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 1.2 *Historical financial performance of the Group*

We understand from the Management that similar to other comparable logistics businesses and given the competitiveness of the industry, the Group has operated under a thin net profit margin with a relatively stable costs base. In this connection, given the thin net profit margin, any significant fluctuation in revenue is likely to have notable impact on the profitability of the Group's operations.

Set out below is a summary of the consolidated financial results of the Group for the six month periods ended 30 June 2016 and 2017 as extracted from the 2017 Interim Report, as well as the two financial years ended 31 December 2015 and 31 December 2016 as extracted from the 2016 Annual Report.

	For the six months ended 30 June		For the year ended 31 December	
	2017	2016	2016	2015
HK\$'000	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue	1,560,775	1,253,881	2,867,339	3,223,589
Cost of sales	(1,308,577)	(1,021,973)	(2,375,321)	(2,702,850)
<b>Gross profit</b>	<b>252,198</b>	<b>231,908</b>	<b>492,018</b>	<b>520,739</b>
<b>Profit before taxation</b>	<b>29,556</b>	<b>2,908</b>	<b>16,036</b>	<b>65,359</b>
Income tax expenses	(8,864)	(2,876)	(9,733)	(13,006)
<b>Profit for the period/ year</b>	<b>20,692</b>	<b>32</b>	<b>6,303</b>	<b>52,353</b>
<b>Profit for the period/ year attributable to:</b>				
– Owners of the Company	19,609	(1,194)	4,967	49,900
– Non-controlling interests	1,083	1,226	1,336	2,453
	<b>20,692</b>	<b>32</b>	<b>6,303</b>	<b>52,353</b>



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial performance for the six months ended 30 June 2017*

As set out in the 2017 Interim Report, the Group recorded revenue of approximately HK\$1,560.8 million, representing an increase of approximately 24.5% compared to approximately HK\$1,253.9 million for the six months ended 30 June 2016. Such increase in revenue was primarily attributable to the revenue derived from the air freight segment, from approximately HK\$799.3 million for the six months ended 30 June 2016, to approximately HK\$1,061.7 million for the six months ended 30 June 2017. For the six months ended 30 June 2017, the Group recorded gross profit of approximately HK\$252.2 million, representing an increase of approximately 8.7% compared to approximately HK\$231.9 million for the six months ended 30 June 2016. The increase in gross profit was primarily attributable to the increase in segment results related to the air freight segment and ocean freight segment, respectively. Although gross profit margin has decreased slightly from approximately 18.5% for the six months ended 30 June 2016 to approximately 16.2% for the six months ended 30 June 2017 due to competition in the market.

The Group's administrative expenses were largely stable at approximately HK\$228.3 million and approximately HK\$225.1 million for the six months ended 30 June 2016 and 2017, respectively. As a result of the foregoing, the profit before tax of the Group for the six months ended 30 June 2017 amounted to approximately HK\$29.6 million, compared to approximately HK\$2.9 million for the six months ended 30 June 2016. For the six months ended 30 June 2017, the Group recorded profit after tax of approximately HK\$20.7 million, compared to approximately HK\$0.03 million for the corresponding prior period.

The Group recorded profit attributable to owners of the Company of approximately HK\$19.6 million for the six months ended 30 June 2017, compared to a loss attributable to owners of the Company of approximately HK\$1.2 million for the six months ended 30 June 2016. As set out in the 2017 Interim Report, the Management stated that the increase in profitability and demand for logistics and freight forwarding services was primarily attributable to (i) the recovery of the global economy which resulted in an improvement of the export business in the PRC and the global market demand, especially in the United States of America; and (ii) the boom of cross-border small parcel delivery, which contributed to the increase in shipment volume.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial performance for the year ended 31 December 2016*

As set out in the 2016 Annual Report, the Group recorded revenue of approximately HK\$2,867.3 million, representing a decrease of approximately 11.1% compared to approximately HK\$3,223.6 million for the year ended 31 December 2015. Such decrease in revenue was mainly attributable to the revenue derived from the air freight segment which amounted to approximately HK\$2,171.1 million for the year ended 31 December 2015, decreased to approximately HK\$1,868.6 million for the year ended 31 December 2016. For the year ended 31 December 2016, the Group recorded gross profit of approximately HK\$492.0 million, representing a decrease of approximately 5.5% compared to approximately HK\$520.7 million for the year ended 31 December 2015. The decrease in gross profit was mainly attributable to the decline in segment results related to the air freight segment, which decreased from approximately HK\$226.0 million for the year ended 31 December 2015 to approximately HK\$176.3 million for the year ended 31 December 2016.

The Group recorded administrative expenses of approximately HK\$481.0 million, representing an increase of approximately 4.9% compared to approximately HK\$458.4 million for the year ended 31 December 2015. As a result of the foregoing, the profit before tax of the Group for the year ended 31 December 2016 amounted to approximately HK\$16.0 million, representing a decrease of approximately 75.5% compared to approximately HK\$65.4 million for the year ended 31 December 2015. For the year ended 31 December 2016, the Group recorded profit after tax of approximately HK\$6.3 million, representing a decrease of approximately 88.0% as compared to HK\$52.4 million for the corresponding prior year.

The Group recorded profit attributable to owners of the Company of approximately HK\$5.0 million for the year ended 31 December 2016, representing a decrease of approximately 90.0% compared to approximately HK\$49.9 million for the year ended 31 December 2015. As set out in the 2016 Annual Report, the Management stated that the decrease in profitability and demand for logistics and freight forwarding services was primarily attributable to (i) the excess supply in the air and sea cargo industry which lead to aggressive competition in pricing; (ii) the increase in staff costs and rental expenses due to the expansion of the sales team and ancillary and contract logistics service business; (iii) the net loss arisen from the Group's e-commerce companies, of which certain of these companies have been disposed by the Group; (iv) the severance package paid to the stations managers who have departed the Group; and (v) the increase in provision of legal and professional fees.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 1.3 *Historical financial position of the Group*

Set out below is a summary of the consolidated financial position of the Group as at 30 June 2017, 31 December 2015 and 31 December 2016 extracted from the 2017 Interim Report and the 2016 Annual Report, respectively.

<i>HK\$'000</i>	<b>30 June 2017</b> (Unaudited)	<b>31 December 2016</b> (Audited)	<b>31 December 2015</b> (Audited)
<b>Non-current assets</b>	<b>95,890</b>	<b>109,233</b>	<b>115,061</b>
Property, plant and equipment	47,970	48,584	48,482
Intangible assets	17,884	17,654	20,918
Available-for-sale investments	–	16,237	17,976
<b>Current assets</b>	<b>939,707</b>	<b>830,996</b>	<b>750,881</b>
Trade receivables	504,343	496,150	423,001
Other receivables, deposits and prepayments	90,663	79,421	56,868
Amounts due from joint ventures	16,592	14,602	5,851
Bank balances and cash	286,402	211,207	242,300
<b>Total Assets</b>	<b>1,035,597</b>	<b>940,229</b>	<b>865,942</b>
<b>Current liabilities</b>	<b>528,526</b>	<b>461,344</b>	<b>372,775</b>
Trade and other payables	398,114	309,685	265,029
Bank borrowings	124,256	145,400	98,595
<b>Non-current liabilities</b>	<b>17,592</b>	<b>16,245</b>	<b>17,676</b>
Trade and other payables – due after one year	3,233	3,021	2,596
Deferred tax liabilities	14,181	12,930	14,664
<b>Total liabilities</b>	<b>546,118</b>	<b>477,589</b>	<b>390,451</b>
<b>Total equity</b>	<b>489,479</b>	<b>462,640</b>	<b>475,491</b>
Net assets attributable to owners of the Company	459,995	434,939	446,191
Non-controlling interests	29,484	27,701	29,300

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Financial position as at the six months ended 30 June 2017*

As at 30 June 2017, the Group's total assets amounted to approximately HK\$1,035.6 million as compared to approximately HK\$940.2 million as at 31 December 2016, representing a period-on-period increase of approximately 10.1%.

The non-current assets of the Group as at 30 June 2017 amounted to approximately HK\$95.9 million (as at 31 December 2016: approximately HK\$109.2 million), approximately 68.7% of which was attributable to property, plant and equipment and intangible assets. The largest balance under non-current assets of the Group was property, plant and equipment, which remained largely stable at approximately HK\$48.0 million as at 30 June 2017.

The current assets of the Group as at 30 June 2017 amounted to approximately HK\$939.7 million (as at 31 December 2016: approximately HK\$831.0 million), approximately 84.1% of which were attributable to trade receivables and bank balances and cash. The largest balance under the current assets of the Group was trade receivables. The Group recorded trade receivables of approximately HK\$504.3 million as at 30 June 2017 compared to approximately HK\$496.2 million as at 31 December 2016.

Total liabilities as at 30 June 2017 amounted to approximately HK\$546.1 million, as compared to approximately HK\$477.6 million as at 31 December 2016, representing an increase of approximately 14.3%. The aforesaid movement was largely attributable to an increase in trade and other payables of approximately HK\$88.4 million.

The Group recorded current liabilities of approximately HK\$528.5 million as at 30 June 2017, representing an increase of approximately 14.6% compared to approximately HK\$461.3 million as at 31 December 2016. The increase of the Group's current liabilities were primarily attributable to the increase in trade and other payables of approximately HK\$88.4 million as at 30 June 2017.

The Group recorded non-current liabilities of approximately HK\$17.6 million as at 30 June 2017, representing an increase of approximately 8.6% compared to approximately HK\$16.2 million as at 31 December 2016, which was primarily attributable to the increase in deferred tax liabilities of approximately HK\$1.3 million.

As a result of the aforesaid, the Group's net assets attributable to owners of the Company amounted to HK\$460.0 million as at 30 June 2017, compared to approximately HK\$434.9 million as at 31 December 2016, representing a period-on-period increase of approximately 5.8%.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Financial position as at the year ended 31 December 2016*

As at 31 December 2016, the Group's total assets amounted to approximately HK\$940.2 million as compared to approximately HK\$865.9 million as at 31 December 2015, representing a year-on-year increase of approximately 8.6%.

The non-current assets of the Group as at 31 December 2016 amounted to approximately HK\$109.2 million (2015: approximately HK\$115.1 million), approximately 75.5% of which was attributable to property, plant and equipment, intangible assets and available-for-sale financial assets. The largest balance under non-current assets of the Group was property, plant and equipment, which remained largely stable at approximately HK\$48.5 million and HK\$48.6 million as at 31 December 2015 and 2016, respectively.

The current assets of the Group as at 31 December 2016 amounted to approximately HK\$831.0 million (2015: approximately HK\$750.9 million), approximately 85.1% of which were attributable to trade receivables and bank balances and cash. The largest balance under the current assets of the Group was trade receivables. The Group recorded trade receivables of approximately HK\$496.2 million, representing an increase of approximately 17.3% compared to approximately HK\$423.0 million as at 31 December 2015.

Total liabilities as at 31 December 2016 amounted to approximately HK\$477.6 million, as compared to approximately HK\$390.5 million as at 31 December 2015, representing a year-on-year increase of approximately 22.3%. The aforesaid movement was largely attributable to a combination of (i) an increase in trade and other payables of approximately HK\$44.7 million; and (ii) an increase in bank borrowings of approximately HK\$46.8 million.

The Group recorded current liabilities of approximately HK\$461.3 million as at 31 December 2016, representing a year-on-year increase of approximately 23.7% compared to approximately HK\$372.8 million as at 31 December 2015. The increase of the Group's current liabilities were primarily attributable to (i) the increase in trade and other payables of approximately HK\$44.7 million as at 31 December 2016, representing a year-on-year increase of approximately 16.9% compared to the prior corresponding year; and (ii) an increase in bank and bank borrowings of approximately HK\$44.7 million as at 31 December 2016, representing a year-on-year increase of approximately 47.5% compared to the prior corresponding year.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded non-current liabilities of approximately HK\$16.2 million as at 31 December 2016, representing a year-on-year decrease of approximately 8.1% compared to approximately HK\$17.7 million as at 31 December 2015. The decrease was primarily attributable to the decrease in deferred tax liabilities of approximately HK\$1.7 million as at 31 December 2016, representing a year-on-year decrease of approximately 11.8% compared to the prior corresponding year.

The Group's net assets attributable to owners of the Company amounted to approximately HK\$434.9 million as at 31 December 2016, compared to approximately HK\$446.2 million as at 31 December 2015, representing a year-on-year decrease of approximately 2.5%.

Subsequent to the year ended 31 December 2016, as set out in the announcement of the Company dated 5 May 2017 (the "**Acquisition Announcement**"), On Time Worldwide Logistics Limited ("**On Time BVI**"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Air Partner Logistics Company Limited ("**Air Partner Logistics**") and Ms. Chan Yi Lam ("**Ms. Chan**"), who owned 60% of Air Partner Logistics Company limited, pursuant to which On Time BVI conditionally agreed to acquire the entire issued share capital of Best Loader Logistics Company Limited at the consideration of HK\$3 million. In addition, as set out in the Acquisition Announcement, on 5 May 2017, On Line Service Limited ("**On Line Service**"), an indirect wholly-owned subsidiary of the Company, entered into a separate acquisition agreement with Air Partner Logistics and Ms. Chan, pursuant to which On Line Service conditionally agreed to acquire the entire issued capital Best Loader Logistics (Shanghai) Company Limited\* (翼尊國際貨運代理(上海)有限公司) ("**Best Loader Shanghai**") at the consideration of HK\$27 million. For further details of the aforementioned acquisitions (the "**May Acquisitions**"), please refer to the Acquisition Announcement. As advised by the Management, the May Acquisitions were completed in June 2017 for Best Loader Logistics Company Limited and July 2017 for Best Loader Shanghai, respectively. Furthermore, it was also noted that 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 DNJ Logistics Co., Ltd.\*(北京明邦物流股份有限公司) at a consideration of approximately RMB14.6 million. Such transaction was completed on 14 August 2017.

Subsequent to the publication of the 2017 Interim Report, based on information set out in the respective announcements of the Company, (i) on 20 October 2017, the Group entered into a disposal agreement with an independent third party to dispose all capital contribution on OTWL-On Time Worldwide Logistics Ltd. (先達環球物流有限公司) at a consideration of approximately HK\$15.5 million; and (ii) on 1 November 2017, the Group entered into a disposal agreement with an independent third party to dispose 3% of the entire issued shares of On Time Worldwide Logistics Ltd. (i.e. OT Korea) at a consideration of HK\$841,728.

\* For identification purpose only



As set out in the “Letter from the Board”, as at the Latest Practicable Date, the Board does not have any intention and/or has entered into any agreement, arrangements, understanding to (i) acquire any new business; and/or (ii) downsize or dispose of the Company’s existing businesses and material operating assets. As set out under the paragraph headed “Future intentions of the Offeror regarding the Group” in the “Letter from Haitong International Securities”, it is stated that the Offeror intends to continue the business of the Group and maintain the employment of the operational and administrative employees of the Group (except for the proposed changes to the members of the Board as detailed in the “Letter from Haitong International Securities”). It is also stated that as at the Latest Practicable Date, the Offeror has no intention to dispose or downsize the business or the assets of the Group, and has no plan for any acquisition of assets and/or business of the Group. However, the Offeror will, following completion of the Offers, conduct a detailed review of the operations of the Group and formulate feasible business strategies with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Group should appropriate opportunities arise.

## **2. Overview of macro-economy and logistics industry**

### *2.1 Overview of macro-economy and risks*

Given the dependence of the logistics industry on global trades, including international import and export activities, which are affected by the global economy, the status and development of the global economy shall continue to be a significant factor affecting the global logistics industry. The global economy is facing uncertainties arising from events such as the anticipated withdrawal of the United Kingdom from the European Union, a slowdown in the PRC’s economy and potential changes in U.S. fiscal policy, which in turn could affect investor sentiment and preference. According to a report published by the World Bank Group in June 2017 titled “Global Economic Prospects: A Fragile Recovery”, global growth is estimated to be approximately 2.7% in 2017, which represents a slight increase as compared to that in 2016 of approximately 2.4%. Both the advanced global economies and the emerging market and developing economies are expected to contribute to the aforesaid growth. Nevertheless, there remain risks to the global economic outlook, including increased trade protectionism, elevated economic policy uncertainty, the possibility of financial market disruptions, and, over the longer term, weaker potential growth. In particular, the geopolitical risk around Asia may be affected by the development of the ongoing situation in North Korea.

Furthermore, both the U.S. and Hong Kong has experienced low interest rate environment in the recent years and there has been on-going speculation of interest rate hikes by the Federal Reserve, which may affect global financial markets. Given Hong Kong’s currency is pegged to the U.S. dollar and its position as one of the leading international trading and financial centres, any such changes could have significant knock on effects to Hong Kong.

2.2 *Overview of Hong Kong's freight forwarding sector*

According to the 2017-2018 budget speech by the Financial Secretary of the Hong Kong government, the trading and logistics industry accounted for approximately 22% of the gross domestic products of Hong Kong and employed around 750,000 people. The value of Hong Kong's external merchandise trade amounted to approximately HK\$7.6 trillion in 2016. It was also noted that, there are signs of rising protectionist and anti-globalisation sentiments around the world. In this connection, the Hong Kong government will continue to work with its major trading and investment partners to open up more markets and remove market impediments, so as to strengthen Hong Kong's status as an investment, financial and logistics hub in the region.

As set out in a publication on the freight forwarding industry in Hong Kong published by the Hong Kong Trade Development Council (the "HKTDC") in April 2017 (the "**Freight Forwarding Industry Publication**"), Hong Kong ranked as the 8th largest merchandise trading entity globally in 2015. Furthermore, as set out in the Freight Forwarding Industry Publication, the freight forwarding industry has benefited from Hong Kong's excellent freight infrastructure. Hong Kong International Airport ranks first in the world in terms of air cargo throughput, while Hong Kong port is the world's fifth busiest in handling containerised cargo. In addition, the industry is responding to customers' needs by providing more value-added services such as warehousing, packing, sorting, distribution, total logistics and supply chain management solutions.

The Freight Forwarding Industry Publication stated that the total inward and outward freight movements remained largely stable at approximately 283.1 million tonnes for the year ended 31 December 2016, compared to approximately 283.8 million tonnes for the year ended 31 December 2015. It is also noted that seaborne, road and air freight recorded total (inward and outward) freight movements of approximately 164.1 million tonnes, 21.9 million tonnes and 4.5 million tonnes for the year ended 31 December 2016, respectively, compared to approximately 168.6 million tonnes, 22.8 million tonnes and 4.4 million tonnes for the year ended 31 December 2015, respectively.

Based on statistics set out in the Freight Forwarding Industry Report, the number of air cargo and sea cargo forwarders as at 31 December 2016 amounted to 1,314 and 2,272, respectively. In terms of business performance, business receipts of cargo forwarding services amounted to approximately US\$14,063 million for the year ended 31 December 2015, representing a year-on-year decrease of approximately 10.5% compared to approximately US\$15,707 million for the year ended 31 December 2014.

Based on the above, there are certain risks and uncertainties related to the macro-economy and Hong Kong's freight forwarding industry which could have an effect towards the performance and outlook of the freight forwarding industry in Hong Kong.



**3. Information on the Offeror**

The Offeror is an investment holding company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of YTO Express, a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600233). As at the Latest Practicable Date, the sole director of the Offeror was Mr. Yu Zhixian, and the directors of YTO Express were Mr. Yu Huijiao, Ms. Zhang Xiaojuan, Mr. Zhang Yizhong, Mr. He Weiping, Mr. Yu Zhixian, Mr. Chen Guogang, Ms Pang Shuimiao, Mr. Yuan Yaohui and Ms. Tong Wenhong. As at the Latest Practicable Date, YTO Express was held as to approximately 51.18% by Yuantong Jiaolong, which is a company established in the PRC and was held as to 51% by Mr. Yu Huijiao and 49% by his spouse, Ms. Zhang Xiaojuan. As at the Latest Practicable Date, the directors of Yuantong Jiaolong were Mr. Yu Huijiao, Ms. Zhang Xiaojuan and Mr. Zhang Yizhong. The Offeror and YTO Express have confirmed that, Mr. Yu Huijiao, Ms. Zhang Xiaojuan and the directors of the Offeror, YTO Express and Yuantong Jiaolong are Independent Third Parties.

As set out in the “Letter from Haitong International Securities”, the YTO Express Group is principally engaged in warehousing, distribution and transportation of goods. It is also stated in the “Letter from Haitong International Securities”, as a leader in the express and courier service market in the PRC, the YTO Express Group is optimistic in the growth of the global express and courier service market in the next few years and YTO Express Group intends to expand its business to the overseas market. As the Group is principally engaged in the air freight forwarding business and has established an extensive network overseas including Asia, Europe and North America; YTO Express Group believes that the acquisition of the Sale Shares would create synergies between the YTO Express Group and the Group which will be beneficial to both parties in developing their business in the PRC and overseas markets as well as broadening their income stream. It is expected that the acquisition of the Sale Shares can bring certain benefits including the expansion of the Group’s global presence, and the sharing of resources and customer base between the YTO Express Group and the Group.

**4. Intentions of the Offeror regarding the Group and proposed change of Board Composition**

As set out in the “Letter from Haitong International Securities”, the Offeror intends to continue the business of the Group and maintain the employment of the operational and administrative employees of the Group (except for the proposed changes to the members of the Board). As at the Latest Practicable Date, the Offeror has no intention to dispose or downsize the business or the assets of the Group, and has no plan for any acquisition of assets and/or business of the Group. However, the Offeror will, following completion of the Offers, conduct a detailed review of the operations of the Group and formulate feasible business strategies with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Group should appropriate opportunities arise.

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It is also stated that the Offeror intends to, following the close of the Offers, nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable regulations. Further details in relation to the proposed change of board composition can be referred in the section headed “Proposed change of Board composition” in the “Letter from Haitong International Securities”.

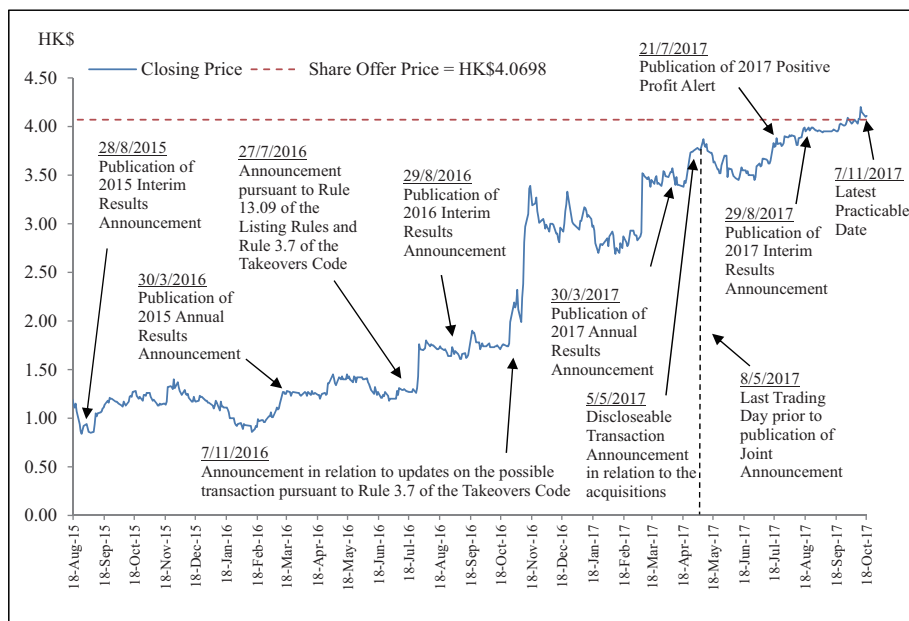
The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers and the sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists for the Shares. Further details of which can be referred in the section headed “Public Float and maintaining the listing status of the Company” set out in the “Letter from Haitong International Securities”.

### 5. Analysis on Offer Price

#### *i. Historical price performance of the Shares*

We have reviewed and analysed the closing prices of the Shares over the 12 months period immediately prior to the date of the announcement of the Company dated 27 July 2016, being the initial announcement on possible offer (the “**Initial Announcement**”), commencing on 28 July 2015 up to and including 27 July 2016 (the “**First Review Period**”), and from the first trading day after the publication of the Initial Announcement up to and including the Latest Practicable Date (the “**Second Review Period**” together with the First Review Period, the “**Review Period**”). Details of our analysis are set out below:

**Chart A: Closing Share price during Review Period**



Source: Bloomberg and Stock Exchange

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During the First Review Period, the closing price of the Shares fluctuated between the range from HK\$0.84 (August 2015) to HK\$1.45 (May 2016). The average closing price of the Shares during the First Review Period was approximately HK\$1.19. From the commencement of the First Review Period up to the date of publication of the 2015 interim results announcement on 28 August 2015 (after trading hours) (the “**2015 Interim Results Announcement**”), the closing price of the Shares fluctuated between the range from HK\$0.84 to HK\$1.36. The Group’s interim results for the six months ended 30 June 2015 recorded a profit attributable to owners of the Company of approximately HK\$15.5 million compared to approximately HK\$33.0 million recorded during the prior corresponding six month period. The closing price per Share was HK\$1.11 on 28 July 2015 (i.e. the commencement of the First Review Period) and HK\$0.94 on the trading day after the publication of the 2015 Interim Results Announcement, representing a decrease of approximately 18.1%.

From the publication of the 2015 Interim Results Announcement up to the date of publication of the 2015 annual results announcement on 30 March 2016 (after trading hours) (the “**2015 Annual Results Announcement**”), the closing price of the Shares fluctuated between the range of HK\$0.85 to HK\$1.40. The Group’s annual results for the year ended 31 December 2015 recorded a profit attributable to owners of the Company of approximately HK\$49.9 million compared to approximately HK\$59.6 million recorded during the prior corresponding year. The closing price per Share increased from HK\$0.94 on 31 August 2015 (i.e. the trading day after the publication of the 2015 Interim Results Announcement), to HK\$1.24 on the trading day after the publication of the 2016 Annual Results Announcement.

On 27 July 2016, the Company published the Initial Announcement pursuant to, among others, Rule 13.09 of the Listing Rules and Rule 3.7 of the Takeovers Code, the Company was informed by its controlling Shareholders, namely Lam Investco and Haenisch Investco, that Lam Investco, Haenisch Investco, Mr. Lam and Mr. Haenisch entered into a memorandum of understanding with an independent third party as purchaser in respect of a possible sale and purchase of 275,330,900 Shares (representing approximately 66.7% of the total issued share capital of the Company as at the date of the Initial Announcement), which, if materialised, may lead to a change in control of the Company and a mandatory general offer under the Takeovers Code for all the issued shares of the Company. The closing price per Share on (i) the last trading day immediately prior to the publication of the Initial Announcement was HK\$1.43; and (ii) the trading day of which the Shares resumed trading after the publication of the Initial Announcement was HK\$1.76.

On 7 November 2016, the Company published an announcement (the “**November Announcement**”) setting out that the Company was informed by Mr. Lam, a controlling shareholder of the Company and the Chairman of the board of directors of the Company and an executive Director of the Company that on 7 November 2016 (after trading hours), Mr. Lam entered into a letter of

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intent with an independent third party as a potential purchaser of a possible transaction, which if materialised, may lead to a change in control of the Company and a mandatory general offer under the Takeovers Code for all the issued Shares. The closing price per Share on (i) the last trading day immediately prior to the publication of the November Announcement was HK\$1.99; and (ii) the trading day of which the Shares resumed trading after the publication of the November Announcement was HK\$2.24.

From the commencement of the Second Review Period up to the date of publication of the annual results announcement on 30 March 2017 (after trading hours) (the “**2016 Annual Results Announcement**”), the closing price of the Shares fluctuated between the range of HK\$1.61 to HK\$3.54. Although the Group’s annual results for the year ended 31 December 2016 recorded a profit attributable to owners of the Company of approximately HK\$5.0 million compared to approximately HK\$49.9 million recorded in the corresponding prior year, the closing price per Share significantly increased from HK\$1.76 on 28 July 2016 (i.e. the commencement of the Second Review Period) to HK\$3.49 on the trading day after the publication of the 2017 annual results announcement, representing an increase of approximately 98.3%. The notable movement in the price of the Shares may be attributable to the market reaction to the Initial Announcement and the November Announcement.

As set out in the Acquisition Announcement dated 5 May 2017, the Company entered into sale and purchase agreements for the acquisition of two companies primarily engaged in the freight forwarding business in Hong Kong and the PRC for HK\$3 million and HK\$27 million in consideration, respectively. The closing price per Share on (i) the last trading day immediately prior to the publication of the Acquisition Announcement was HK\$3.76; and (ii) the trading day of which the Shares resumed trading after the publication of the Acquisition Announcement was HK\$3.87.

During the Second Review Period, the closing price per Share ranged from HK\$1.61 to HK\$4.20. The average closing price per Share during the Second Review Period was approximately HK\$3.12 (the “**Second Review Period Average Closing Price**”). The closing price per Share as at the Latest Practicable Date was HK\$4.11. In this connection, the Offer Price of HK\$4.0698 per Offer Share represents (i) a premium of approximately 30.4% over the Second Review Period Average Closing Price; and (ii) a discount of approximately 0.98% to the closing price as at the Latest Practicable Date.

The Second Review Period Average Closing Price of approximately HK\$3.12 is significantly higher than that of the First Review Period of approximately HK\$1.19, representing an increase of approximately 162.2%. Such notable increase may be attributable to the market reaction to the publication of the Initial Announcement and the November Announcement and therefore, the sustainability of the current price level of the Shares is subject to uncertainties. As shown in the Chart A above, the closing prices of the Shares during the First Review Period had always been notably below the Share Offer Price of HK\$4.0698.

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The Share Offer Price represents:

- (i) a premium of approximately 180.7% over the highest closing price of the Shares of HK\$1.45 during the First Review Period;
- (ii) a premium of approximately 384.5% over the lowest closing price of the Shares of HK\$0.84 during the First Review Period;
- (iii) a premium of approximately 242.0% over the average Share price of HK\$1.19 during the First Review Period; and
- (iv) a discount of approximately 0.98% to the closing price of the Share price of HK\$4.11 as at the Latest Practicable Date.

Based on the aforesaid analysis, in particular, the Share Offer Price is at a notable premium to (i) the closing Share price throughout the First Review Period; and (ii) Second Review Period Average Closing Price. On this basis, we are of the view that the Share Offer Price is fair and reasonable. **Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares, may increase or decrease from its closing price as at the Last Practicable Date.**

### *ii. Historical liquidity of the Shares*

The following table sets out the monthly total trading volume, the number of trading days in each month, the highest, lowest and average daily number of the Shares traded in each month and the percentage of average daily trading volume of the Shares as compared to (i) the total number of the Shares in issue at the relevant time; and (ii) total number of Shares held by the public as at the Latest Practicable Date during the Review Period:

Month	Number of trading days	Total trading volume (number of Shares)	Average daily trading volume (number of Shares)	Approximately percentage of average daily trading volume to total number of Shares in issue (%) (Note 1)	Approximately percentage of average daily trading volume to total number of Shares held by the public as at the Latest Practicable Date (%) (Note 2)
<b>2015</b>					
July (Note 3)	4	12,308,000	3,077,000	0.74	2.73
August	21	15,466,000	736,476	0.18	0.65
September	19	9,688,000	509,895	0.12	0.45
October	20	5,024,000	251,200	0.06	0.22
November	18	12,955,900	719,772	0.17	0.64
December	20	3,932,000	218,444	0.05	0.19

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Month	Number of trading days	Total trading volume <i>(number of Shares)</i>	Average daily trading volume <i>(number of Shares)</i>	Approximately percentage of average daily trading volume to total number of Shares in issue <i>(%)</i> <i>(Note 1)</i>	Approximately percentage of average daily trading volume to total number of Shares held by the public as at the Latest Practicable Date <i>(%)</i> <i>(Note 2)</i>
<b>2016</b>					
January	18	6,048,000	336,000	0.08	0.30
February	13	1,630,000	125,385	0.03	0.11
March	20	5,448,000	272,400	0.07	0.24
April	18	2,872,000	159,556	0.04	0.14
May	19	7,206,000	379,263	0.09	0.34
June	18	2,720,000	151,111	0.04	0.13
July <i>(Note 4)</i>	17	3,750,000	220,588	0.05	0.20
July <i>(Note 5)</i>	2	16,376,000	8,188,000	1.98	7.27
August	21	9,080,000	432,281	0.10	0.38
September	21	8,668,395	412,781	0.10	0.37
October	19	10,926,000	575,053	0.14	0.51
November	22	68,839,000	3,129,045	0.76	2.78
December	20	11,114,000	555,700	0.13	0.49
<b>2017</b>					
January	19	8,044,000	423,368	0.10	0.38
February	20	13,542,000	677,100	0.16	0.60
March	23	23,553,400	1,024,061	0.25	0.91
April	17	16,260,000	956,471	0.23	0.85
May	20	58,203,000	2,910,150	0.70	2.58
June	22	11,410,000	518,636	0.13	0.46
July	21	15,037,000	716,048	0.17	0.64
August	22	25,880,760	1,176,398	0.28	1.04
September	21	21,163,600	1,007,790	0.24	0.89
October	20	28,958,846	1,447,942	0.35	1.28
November <i>(up to and including Latest Practicable Date)</i>	5	10,538,000	2,107,600	0.51	1.87
<b>Average for <i>(Note 5)</i></b>					
– First Review Period		6,849,838	550,545	0.13	0.49
– Second Review Period		21,034,941	1,544,619	0.37	1.37

Source: Stock Exchange website and Bloomberg

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*Notes:*

- (1) Based on issued Shares as disclosed in the monthly return of movements in securities of the Group.
- (2) Shares held by the public Shareholders are based on information as set out under paragraph headed "Shareholding structure of the Company" in the Letter from the Board of this Composite Document.
- (3) Commencing on 28 July 2015 up to and including 31 July 2015.
- (4) Up to and including 27 July 2016, being the end of the First Review Period.
- (5) Commencing from 28 July 2016, being the commencement of the Second Review Period and ending on 29 July 2016, which only consists of two trading days.
- (6) The average is calculated as total number of Shares traded during the Review Period, divided by the total number of days which the Shares could trade (i.e. excludes days where trading was suspended).

The above table demonstrates that during the First Review Period, (i) the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue ranged from approximately 0.03% (February 2016) to 0.74% (July 2015) with an average of approximately 0.13%; and (ii) the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public as at the Latest Practicable Date ranged from approximately 0.11% (February 2016) to 2.73% (July 2015) with an average of approximately 0.49%. During the Second Review Period, (i) the average daily trading volume of the Shares by month as a percentage of the total number of the Shares in issue ranged from approximately 0.10% (August, September 2016 and January 2017) to 1.98% (from 28 July 2016, being the commencement of the of Second Review Period, to 31 July 2016), with an average of approximately 0.37%; and (ii) the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public as at the Latest Practicable Date ranged from approximately 0.37% (September 2016 and January 2017) to 7.27% (from 28 July 2016, being the commencement of the of Second Review Period, to 31 July 2016), with an average of approximately 1.37%. The above statistics revealed that trading volume of the Shares was relatively thin during the First Review Period in comparison to the Second Review Period, and the Shares were generally illiquid in the open market. The Share Offer presents an opportunity for those Independent Shareholders who consider disposing their significant number of Shares in the open market, as they can dispose their Shares without exerting the downward pressure on the market price of the Shares as a result of the disposal.



*iii. Comparison with comparable companies*

In assessing the fairness and reasonableness of the Offer Price, we have set out below our analysis on the price-to-earnings ratio (the “**P/E ratio(s)**”) and the price-to-book ratios (the “**P/B ratio(s)**”) of companies which are listed on the Main Board of the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purposes. As set out in the 2017 Interim Report and the 2016 Annual Report, for each of the six months ended 30 June 2017, and the years ended 31 December 2015 and 2016, the Group derived over 90% of its revenue from its air freight, ocean freight and logistics operating segments.

Based on the Share Offer Price and 414,270,000 issued Shares as at the Latest Practicable Date, the size of the Share Offer and the implied market capitalisation of the Company under the Share Offer would be approximately HK\$1,686.0 million. Based on the Group’s profit attributable to its owners of approximately HK\$5.0 million for the year ended 31 December 2016, the implied P/E ratio under the Share Offer would be approximately 337.2 times. As per the unaudited consolidated statement of financial position set out in the 2017 Interim Report, the net assets attributable to the owners of the Company amounted to approximately HK\$460.0 million as at 30 June 2017. Based on the aforesaid, the implied P/B ratio under the Share Offer would be approximately 3.67 times.

Having considered the financial performance and position of the Group for the six months ended 30 June 2017 and the year ended 31 December 2016 as set out above, we have set forth the following criteria for the purpose of identifying comparable companies, (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) revenue generated from their logistics business, such as air freight, ocean freight and/or other logistics business activities<sup>1</sup>, represents over 90% of its total revenue for the latest completed financial year; and (iii) a market capitalisation of not more than HK\$3.0 billion as at the Latest Practicable Date (together the “**Criteria**”). Based on the Criteria, we identified two comparable companies, being an exhaustive list as far as we are aware (the “**Comparable Companies**”).

<sup>1</sup> For the purpose of illustration only, the amount denominated in RMB has been translated into HK\$ at an exchange rate of RMB to HK\$1.18.



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The analysis on the Comparable Companies is set out in the table below:

Stock code	Company name	Principal Business(es)	Share Price (Note 1) HK\$	Market capitalisation (Note 1) HK\$ 'million	P/B ratio (approximately) (Note 2)	P/E ratio (approximately) (Note 3)
1292	Changan Minsheng APLL Logistics Co., Limited – H Shares (“Changan”)	Rendering of transportation for finished vehicles, supply chain management for automobile raw materials, components and parts, transportation services for non-automobile commodities, sale of packaging materials and processing of tyres	5.54 (Note 5)	897.8	0.40	6.71
500	Frontier Services Group (“Frontier Services”)	Provision of aviation and logistics services and provision of online financial market information	1.63	2,363.0	6.04	N/A (Note 4)
				Minimum	0.40	6.71
				Maximum	6.04	6.71
				Average	3.22	– (Note 6)
6123	The Group	Provision of export freight forwarding services	4.0698 (Note 7)	1,686.0 (Note 8)	3.67 (Note 9)	337.20 (Note 10)

*Source: the website of the Stock Exchange and the respective interim/annual report and interim results announcement of the listed company (where applicable)*

*Note 1:* The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on their respective closing share prices and number of issued shares as at the Latest Practicable Date. The latest published consolidated net asset value attributable to equity holders are extracted from the respective latest annual/interim reports/announcements of the Comparable Companies.

*Note 2:* The P/B Ratios of the Comparable Companies are calculated based on their market capitalisation as at the Latest Practicable Date and their latest published consolidated net asset value attributable to equity holders.

*Note 3:* The P/E Ratios of the Comparable Companies are calculated based on their market capitalisation as at the Latest Practicable Date and their latest net profit attributable to equity holders.

*Note 4:* The P/E Ratio was not applicable as the company recorded a loss for the respective financial year end.

*Note 5:* Price of H-shares

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- Note 6:* Only one out of two Comparable Companies has recorded a profit for its latest completed financial year and thus only one has a P/E ratio applicable for our analysis.
- Note 7:* The Share Offer Price of HK\$4.0698 per Share.
- Note 8:* We have taken the Share Offer Price and the issued share capital of the Group of 414,270,000 Shares as at the Latest Practicable Date for the purpose of determining the theoretical market capitalisation of the Group.
- Note 9:* The P/B Ratio of the Group is calculated based on the implied market capitalisation of the Group pursuant to the Share Offer Price of HK\$4.0698 per Share divided by its latest published audited consolidated net asset value attributable to owners of the Company as at 30 June 2017.
- Note 10:* The P/E Ratio of the Group is calculated based on the implied market capitalisation of the Group pursuant to the Share Offer Price of HK\$4.0698 per Share divided by the net profit attributable to owners of the Company for the year ended 31 December 2016. For illustration purposes, and as advised by the Management, the total value of the Share Offer over (i) the unaudited profit attributable to owners of the Company for the six months ended 31 December 2016 and 30 June 2017 (in aggregate) is calculated to be approximately 65.4 times; and (ii) the profit attributable to owners of the Company for the year ended 31 December 2015 is calculated to be approximately 33.8 times.

As shown in the above table, the historical P/B ratio of the Comparable Companies were approximately 0.40 times and 6.04 times, with an average of approximately 3.22 times. The implied P/B ratio under the Share Offer of approximately 3.67 times is above the average P/B ratios of the Comparable Companies.

Given the size of the net asset value of logistics companies may fluctuate and be influenced by their respective strategies and business models, the size of their assets related to the size of its operations and/or capital structure, such may lead to possible distortions on the results of a P/B ratio analysis. As such, we have also conducted P/E ratio analysis, being another commonly used approach for valuation.

As shown in the table above, Frontier Services was loss making for its latest completed financial year, therefore has no P/E ratio applicable for our analysis. On this basis, the historical P/E ratio of the remaining Comparable Company, namely Changan, is approximately 6.71 times.

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The implied P/E ratio under the Share Offer of approximately 337.20 times is significantly above Changan's P/E ratio. The relatively high implied P/E ratio under the Share Offer is partly attributable to the substantially smaller profit attributable to owners of the Company recorded for the year ended 31 December 2016 of approximately HK\$5.0 million compared to that of approximately HK\$19.6 million for the six months ended 30 June 2017 and approximately HK\$49.9 million for the year ended 31 December 2015. For illustration purposes, and as advised by the Management, the total value of the Share Offer over (i) the unaudited profit attributable to owners of the Company for the six months ended 31 December 2016 and 30 June 2017 (in aggregate) is calculated to be approximately 65.42 times; and (ii) the profit attributable to owners of the Company for the year ended 31 December 2015 is calculated to be approximately 33.79 times, each of which is still notably higher than the P/E ratio of Changan.

Upon further analysis, we noted that the profit/loss attributable to the shareholders of the Comparable Companies varied widely from loss attributable to shareholders of approximately HK\$209.8 million recorded by Frontier Services to profit attributable to shareholders of approximately RMB113.0 million (equivalent to approximately HK\$127.7 million) recorded by Changan for their respective latest completed financial year. Furthermore, we also noted that, similar to the financial results attributable to their respective shareholders, the net assets attributable to the shareholders of the Comparable Companies also varied significantly from approximately HK\$391.0 million recorded by Frontier Services to approximately RMB1,896.2 million (equivalent to approximately HK\$2,142.7 million) recorded by Changan. Given the above, although the Comparable Companies engaged in similar business activities to that of the Group and that they derived not less than 90% of their revenue from its latest completed financial year from these activities, having considered the size of their net assets and financial results attributable to their shareholders, no single Comparable Company is considered to be more identical to the Group than the other Comparable Companies. On this basis, we are of the view that the implied P/E ratio and P/B ratio under the Share Offer should be compared to that of the Comparable Companies' as a whole.

Given the limited number of Comparable Companies identified based on the Criteria, we carried out further work with a view to identify additional companies for comparison purposes by applying criteria similar to those previously set but with a larger market capitalisation constraint, namely (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) revenue generated from their logistics business, such as air freight, ocean

freight and/or other logistics business activities<sup>2</sup>, represents over 90% of its total revenue for the latest completed financial year; and (iii) a market capitalisation<sup>3</sup> of not more than HK\$30.0 billion as at the Latest Practicable Date (the “**Modified Criteria**”). Based on the Modified Criteria, four additional listed companies were identified (the “**Additional Logistics Companies**”), namely (i) Sinotrans Shipping Limited; (ii) Sinotrans Limited; (iii) Kerry Logistics Network Limited; and (iv) SITC International Holdings Co. Ltd., being an exhaustive list as far as we are aware. We noted that each of the Additional Logistics Companies have (i) much larger market capitalisation, which ranged from approximately HK\$8,024.1 million to HK\$19,807.4 million, compared to the Group’s implied market capitalisation of HK\$1,686.0 million under the Share Offer; and (ii) much larger net asset value attributable to their shareholders, which ranged from approximately HK\$7,176.7 million to HK\$19,713.8 million<sup>4</sup>, compared to the Group’s net asset value attributable to its owners of approximately HK\$460.0 million as at 30 June 2017. Given the significant difference in market capitalisation and net asset value between the Group and the Additional Logistics Companies, the following analysis is conducted for illustration purposes only.

Historical P/B ratio of the Additional Logistics Companies based on their latest published financial statements ranged from approximately 0.58 times to 2.76 times, with an average of approximately 1.34 times. The implied P/B ratio under the Share Offer of approximately 3.67 times is higher than the range of the P/B ratios of the Additional Logistics Companies.

Historical P/E ratio of the Additional Companies based on their latest respective completed financial year performance, ranged from approximately 9.06 times to 20.35 times, with an average of approximately 13.08 times. The implied P/E ratio under the Share Offer of (a) over 300 times based on the profit attributable to owners of the Company for the year ended 31 December 2016; (b) approximately 65.42 times based on the six months ended 31 December 2016 and 30 June 2017 (in aggregate); and (c) approximately 33.79 times based on the profit attributable to owners of the Company for the year ended 31 December 2015, each of which is higher than the top range of P/E ratio the Additional Logistics Companies.

<sup>2</sup> For avoidance of doubt, such does not include vessel chartering, rendering of feeder shipping services.

<sup>3</sup> A shares issued by the relevant listed company are included in the calculation of the market capitalisation.

<sup>4</sup> For the purpose of illustration only, the amount denominated in RMB has been translated into HK\$ at an exchange rate of RMB to HK\$1.18.

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For illustration purposes only, set out below is a summary table for the historical P/E ratio and P/B ratio of the Comparable Companies and Additional Logistics Companies:

Stock code	Company name	P/B ratio (approximately) (Note 1)	P/E ratio (approximately) (Note 2)
<b>Comparable Companies</b>			
1292	Changan Minsheng APLL Logistics Co., Limited – H Shares	0.40	6.71
500	Frontier Services Group	6.04	N/A (Note 3)
<b>Additional Logistics Companies</b>			
636	Kerry Logistics Network Limited	1.14	9.82
598	Sinotrans Limited	0.87	9.06
368	Sinotrans Shipping Limited	0.58	N/A (Note 3)
1308	SITC International Co. Limited	2.76	20.35
	<b>Minimum</b>	<b>0.40</b>	<b>6.71</b>
	<b>Maximum</b>	<b>6.04</b>	<b>20.35</b>
	<b>Average</b>	<b>1.88</b>	<b>11.48</b>
<b>6123</b>	<b>The Group</b>	<b>3.67</b> (Note 4)	<b>337.20</b> (Note 5)

*Note 1:* The P/B Ratios of the Comparable Companies and Additional Logistics Companies are calculated based on their market capitalisation as at the Latest Practicable Date and their latest published consolidated net asset value attributable to equity holders.

*Note 2:* The P/E Ratios of the Comparable Companies and Additional Logistics Companies are calculated based on their market capitalisation as at the Latest Practicable Date and their latest net profit attributable to equity holders.

*Note 3:* The P/E Ratio was not applicable as the subject company recorded a loss for the respective financial year end.

*Note 4:* The P/B Ratio of the Group is calculated based on the implied market capitalisation of the Group pursuant to the Share Offer Price of HK\$4.0698 per Share divided by its latest published audited consolidated net asset value attributable to owners of the Company as at 30 June 2017.

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*Note 5:* The P/E Ratio of the Group is calculated based on the implied market capitalisation of the Group pursuant to the Share Offer Price of HK\$4.0698 per Share divided by the net profit attributable to owners of the Company for the year ended 31 December 2016. For illustration purposes, and as advised by the Management, the total value of the Share Offer over (i) the unaudited profit attributable to owners of the Company for the six months ended 31 December 2016 and 30 June 2017 (in aggregate) is calculated to be approximately 65.4 times; and (ii) the profit attributable to owners of the Company for the year ended 31 December 2015 is calculated to be approximately 33.8 times.

Having considered the above, in particular, the implied P/E ratio under the Share Offer is higher than the range of the Comparable Companies as well as the Additional Logistics Companies and that the implied P/B ratio under the Share Offer is within range of the P/B ratio of the Comparable Companies and the Additional Logistics Companies as a whole, we are of the view that the Share Offer is fair and reasonable.

### **6. Analysis on Option Offer Price**

On behalf of the Offeror, Haitong International Securities is making the Option Offer to cancel all the Options on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code. The Offers, if and when made, will be unconditional in all respects. Under the Option Offer, the Offeror is offering the Optionholders the Option Offer Price in cash for cancellation of each Option that they hold.

The Option Offer Price of HK\$2.4198 represents the difference between the Share Offer Price (i.e. HK\$4.0698 per Offer Share) and the prevailing exercise price of the Options of HK\$1.65 each. The consideration for the cancellation of each Option is the see-through price based on the Share Offer Price. On this basis, we consider the Option Offer Price to be fair and reasonable.

As at the Latest Practicable Date, there were (i) 414,270,000 Shares in issue; and (ii) 1,316,000 Options conferring rights to subscribe for 1,316,000 new Shares which are exercisable at HK\$1.65 per Share until 25 January 2019. Save for the Options, the Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares as at the circular.

If all of the Options (assuming all the Options have been exercised at or prior to Completion) are exercised in full by the Optionholders prior to the close of the Offers, the Company will have to issue 1,316,000 new Shares, representing approximately 0.32% of the enlarged issued Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATION

Having considered the factors and reasons set out in this letter, in particular,

- (i) the information related to the macro-economy and Hong Kong's freight forwarding sector as set out under section headed "2. Overview of macro-economy and logistics industry";
- (ii) the Management advised that the Group has operated under a thin net profit margin with a relatively stable costs base historically. In this connection, any significant fluctuation in revenue is likely to have notable impact on the profitability of the Group's operations as evidenced by the Group's recent financial performance. The Group's notable fluctuations in revenue affected the profit attributable to the owners of the Company in recent periods/ years, which amounted to (a) approximately HK\$49.9 million and HK\$5.0 million for each of the years ended 31 December 2015 and 2016; and (b) approximately HK\$19.6 million for the six months ended 30 June 2017;
- (iii) the Share Offer Price represents a notable premium to the closing price of the Shares for the entire First Review Period;
- (iv) the average daily trading volume of the Shares has been thin in general during the Review Period, in particular, prior to the Initial Announcement, and that the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. The Share Offer, therefore, represent an opportunity for the Independent Shareholders to dispose of their entire holdings at the Offer Price of HK\$4.0698 each;
- (v) the Share Offer Price represents an implied P/B ratio approximately 3.67 times, and implied P/E ratio of (a) over 300 times based on the profit attributable to owners of the Company for the year ended 31 December 2016; (b) approximately 65.4 times based on the six months ended 31 December 2016 and 30 June 2017 (in aggregate); and (c) approximately 33.8 times based on the profit attributable to owners of the Company for the year ended 31 December 2015, of which, the implied P/B ratio under the Share Offer is above the average P/B ratios of the Comparable Companies and that each of the implied P/E ratios under the Share Offer (as calculated above) is higher than the P/E ratio of Changan; and
- (vi) the consideration for the cancellation of each Option will be the see-through price based on the Share Offer Price,

we consider the terms of the Offers to be fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and Optionholders to accept the Offers.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Shareholders, in particular those who intend to accept the Share Offer, are reminded to note the recent fluctuation in the price of the Shares. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Share Offer Price during and after the period for the acceptance of the Share Offer. The Independent Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Share Offer and shall, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Share Offer.

As for the Optionholders who have in-the-money Options (i.e. where exercise prices are lower than the Share Offer Price), Optionholders are recommended to accept the Option Offer. However, Optionholders should also monitor the Share price closely and consider exercising their Options and disposing the resulting Shares in the open market during the Offer Period, rather than accepting the Option Offer, if the sales proceeds, net of transaction costs, exceed the net amount receivable under the Option Offer. Optionholders should consider and are reminded that pursuant to the terms of the Share Option Scheme, the Optionholders are entitled to exercise the Options in full (to the extent not already exercised) at any time within one month after the date on which the Share Offer becomes or is declared unconditional, after which the Options shall lapse automatically.

The Independent Shareholders should read carefully the procedures for accepting the Offers as detailed in the Composite Document, the appendices to the Composite Document and the form of acceptance, if they wish to accept the Share Offer.

Yours faithfully  
For and on behalf of  
**Investec Capital Asia Limited**  
**Lewis Lai**  
*Managing Director*  
*Corporate Finance*

*Mr. Lewis Lai of Investec Capital Asia Limited is a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 10 years, and has been involved in and completed various corporate finance advisory transactions.*



## 1. PROCEDURES FOR ACCEPTANCE

To accept any of the Offers, you should duly complete and sign the relevant accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the relevant Offer.

### 1.1 The Share Offer

- (i) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Share Offer in respect of your Offer Shares (whether in full or in part), you must deliver the duly completed and signed WHITE Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "On Time Logistics Holdings Limited – Share Offer" on the envelope so as to reach the Registrar as soon as possible but in any event by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (ii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Offer Shares (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Share Offer with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the WHITE Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares to the Registrar; or

- (ii) arrange for the Offer Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed WHITE Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Offer Shares for which you intend to accept the Share offer to the Registrar; or
  - (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system on or before the deadline set out by HKSCC Nominees Limited.
- (iii) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Offer Shares, the WHITE Form of Share Offer Acceptance should nevertheless be duly completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (iv) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Offer Shares, you should nevertheless complete and sign the WHITE Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Offeror and/or Haitong International Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the WHITE Form of Share Offer Acceptance.
- (v) Acceptance of the Share Offer will be treated as valid only if the completed and signed WHITE Form of Share Offer Acceptance is received by the Registrar on or before the latest time for acceptance of the Share Offer and the Registrar has recorded the WHITE Form of Share Offer Acceptance and any relevant documents required under paragraph (f) below have been so received.
- (vi) Acceptance of the Share Offer will not be counted as valid unless the WHITE Form of Share Offer Acceptance is duly completed and signed, and is:
  - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or
  - (ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.

- (vii) If the WHITE Form of Share Offer Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (viii) No acknowledgement of receipt of any WHITE Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares tendered for acceptance will be given.

## 1.2 The Option Offer

- (a) If you are an Optionholder and you wish to accept the Option Offer in respect of your Options, you must deliver the duly completed and signed PINK Form of Option Offer Acceptance together with the relevant certificate(s), document(s) of title or entitlement in respect of the Options and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) for your holding of the Options or if applicable, for not less than the number of the Options in respect of which you intend to accept the Option Offer, by post or by hand, to the company secretary of the Company at Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong marked "On Time Logistics Holdings Limited — Option Offer" on the envelope so as to reach the company secretary of the Company as soon as possible but in any event by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) No stamp duty will be deducted from the amount paid or payable to Optionholder(s) who accept(s) the Option Offer.
- (c) No acknowledgement of receipt of any PINK Form of Option Offer Acceptance and/or the relevant certificate(s), document(s) of title or entitlement in respect of your Options and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 2. SETTLEMENT OF THE OFFERS

### 2.1 The Share Offer

Provided that a duly completed WHITE Form of Share Offer Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Share Offer will be despatched to such Independent Shareholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days following the date of receipt of a duly completed WHITE Form of Share Offer Acceptance together with all of the relevant document(s) by the Registrar to render such acceptance under the Share Offer valid.

Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fractions of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

### 2.2 The Option Offer

Provided that a valid PINK Form of Option Offer Acceptance and the relevant certificate(s), document(s) of title or entitlement in respect of the Option and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the company secretary of the Company before the close of the Option Offer, a cheque for the amount due to each of the Optionholders who accepts the Option Offer in respect of the Options tendered by it/him/her under the Option Offer will be posted by ordinary post to the Optionholders who accept the Option Offer at their own risk within seven (7) Business Days following the date of receipt of a duly completed PINK Form of Option Offer Acceptance together with all the relevant document(s) by the company secretary of the Company to render such acceptance, surrender and cancellation under the Option Offer valid.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

No fractions of a cent will be payable and the amount of consideration payable to an Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

### **3. EXERCISE OF SHARE OPTIONS**

An Optionholder who wishes to accept the Share Offer may exercise his/her Options (to the extent exercisable) by completing, signing and delivering a notice for exercise of the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the Company no later than 4:00 p.m. on the Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. Optionholders should at the same time complete and sign the WHITE Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the terms and conditions of the relevant share option scheme and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed WHITE Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or Haitong International Capital and/or Haitong International Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her behalf the relevant share certificate(s) when issued on exercise of the Options as if it was/they were delivered to the Registrar with the WHITE Form of Share Offer Acceptance. If an Optionholder fails to exercise his/her Options as aforesaid, there is no guarantee that the Company may issue the relevant share certificate(s) in respect of the Share(s) allotted pursuant to his/her/its exercise of the Option(s) to such Optionholder in time for him/her/it to accept the Share Offer as a Shareholder of such Share(s) under the terms of the Share Offer.

### **4. LAPSE OF SHARE OPTIONS**

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Option which lapses under the relevant share option scheme. No exercise of Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

**5. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Offers are revised or extended with the consent of the Executive in accordance with the Takeovers Code, to be valid, the WHITE Form of Share Offer Acceptance must be received by the Registrar and the PINK Form of Option Offer Acceptance must be received by the company secretary of the Company, in each case, in accordance with the instructions printed thereon and in this Composite Document by 4:00 p.m. on the Closing Date.

If the Offers are revised or extended, the Offeror will issue an announcement in relation to any revision or extension of the Offers, which announcement will state either the next Closing Date or, a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given, before the Offers are closed, to those Independent Shareholders and Optionholders who have not accepted the relevant Offers. If, in the course of the Offers, the Offeror revises the terms of the Offers, all the Independent Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

If the Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

The Offeror may introduce new condition(s) to be attached to revised Offers, or any subsequent revision thereof but only to the extent necessary to implement the revised Offers and subject to the consent of the Executive in accordance with the Takeovers Code.

**6. NOMINEE REGISTRATION**

To ensure equality of treatment of all the Independent Shareholders, those Independent Shareholders who hold Offer Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.



**7. ANNOUNCEMENTS**

By 6:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry of the Offers. The Offeror must publish an announcement in accordance with the Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised, extended or expired (whether as to acceptances or in all respects). The announcement will state the following:

- (a) the total number of Offer Shares and rights over Shares (including the Options) for which acceptances of the Offers have been received;
- (b) the total number of Offer Shares and rights over Shares (including the Options) held, controlled or directed by the Offeror and the parties acting in concert with the Offeror before the Offer Period;
- (c) the total number of Offer Shares and rights over Shares (including the Options) acquired or agreed to be acquired during the Offer Period by the Offeror and the parties acting in concert with the Offeror; and
- (d) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and any of the parties acting in concert with the Offeror have borrowed or lent, save for any borrowed Offer Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of issued share capital, and the percentages of voting rights, represented by these numbers of Offer Shares.

In computing the total number of Offer Shares and Options represented by acceptances, only valid acceptances that are complete, in good order and fulfil the conditions set out in this Appendix I, and which have been received by the Registrar or the company secretary of the Company (as the case may be) by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offers will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

**8. RIGHT OF WITHDRAWAL**

Acceptances of the Offers tendered by the Independent Shareholders and the Optionholders, respectively, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in this paragraph and the paragraph below.



Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with the requirements set out in the section headed “Announcements” above, the Executive may require that the holders of Offer Shares and Options who have tendered acceptances to the relevant Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met.

If an acceptor withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the relevant acceptor, in respect of the Share Offer, the share certificate(s) and/or transfer receipt(s) and/or (in respect of the Option Offer) the Option certificate(s) (if applicable) and/or other document(s) or title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Shareholder and/or the Optionholders.

#### **9. STAMP DUTY**

Seller’s ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher (rounded up to the nearest HK\$1.00), will be deducted from the amount payable to the relevant Independent Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the accepting Independent Shareholders in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptances of the Option Offer and the cancellation of the Options.

#### **10. OVERSEAS HOLDER(S)**

The Offers will be made available to all the Independent Shareholders and Optionholders, including the Overseas Holder(s). The availability of the Offers to any Overseas Holder(s) may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Holder(s) should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Holder(s) who wish to accept the Share Offer and/or the Option Offer (as the case may be) to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holder(s) in respect of such jurisdictions).

Any acceptance by any Overseas Holder(s) will be deemed to constitute a representation and warranty from such Overseas Holder(s) to the Offeror that the local laws and requirements have been complied with. The Overseas Holder(s) should consult their professional advisers if in doubt.

## 11. TAX IMPLICATIONS

Independent Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and/or the parties acting in concert with the Offeror, YTO Express, the Company, Haitong International Securities, Haitong International Capital, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, agents, or associates, professional advisers or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

## 12. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, the relevant share certificate(s), transfer receipt(s), document(s) of title or entitlement in respect of the Options and/or documentary evidence of authority (and/or any satisfactory indemnity or indemnities required in respect thereof) if delivered by or sent to or from the Independent Shareholders or the Optionholders or their designated agents by post, shall be posted at their own risk, and none of the Offeror, YTO Express, the Company, Haitong International Securities, Haitong International Capital, the Independent Financial Adviser and any of their respective directors, the Registrar and other parties involved in the Offers and any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the WHITE Form of Share Offer Acceptance and PINK Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, YTO Express, Haitong International Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Offer Shares and/or cancelling the Options in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of:
  - i. The Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, YTO Express, Haitong International Securities and Haitong International Capital that the Shares tendered under the Share Offer are sold by such person or persons free from all encumbrances and together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Company on or after the date of this Composite Document.
  - ii. the Option Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, YTO Express, Haitong International Securities and Haitong International Capital that the Options tendered under the Option Offer are sold by such person or persons free from all encumbrances and together with all rights accruing or attaching to them on or after the date of this Composite Document.
- (g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares and/or Options in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares and/or Options held by such nominee for such beneficial owners who accept the Offers.
- (h) If no number is inserted or a number inserted is greater or smaller than your registered holding of Share(s) and/or Option(s) or those physical Share(s) and/or Options (if applicable) tendered for acceptance of the Share Offer and/or the Option Offer and you have signed the Form(s) of Acceptance, such Form(s) of Acceptance will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar (in respect of the Share Offer) and the company secretary of the Company (in respect of the Option Offer) on or before 4:00 p.m. on the Closing Date.
- (i) Reference to the Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension or revision thereof.

- (j) In making their decisions with regard to the Offers, the Independent Shareholders and the Optionholders should rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form(s) of Acceptance shall not be construed as any legal or business advice on the part of the Company, YTO Express, the Offeror, Haitong International Securities, Haitong International Capital and/or the Independent Financial Adviser. The Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice.
- (k) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders or the Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

## 1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three financial years ended 31 December 2016 and the unaudited financial results of the Group for the six months ended 30 June 2017 as extracted from the relevant annual reports and interim reports of the Company:

	Six months ended 30 June 2017 <i>HK\$'000</i>	Year ended 31 December		
		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	1,560,775	2,867,339	3,223,589	3,468,061
Profit before taxation	29,556	16,036	65,359	91,747
Income tax expense	8,864	9,733	13,006	26,463
Profit attributable to owners of the Company	19,609	4,967	49,900	59,573
Profit attributable to non-controlling interests	1,083	1,336	2,453	5,711
Dividends	–	–	5,366	6,640
Dividend per Share ( <i>HK\$</i> )	–	–	0.013	0.016

For each of the three financial years ended 31 December 2014, 2015 and 2016, there were no exceptional items because of size, nature or incidence in respect of the consolidated financial statements of the Company during each of the three years ended 31 December 2014, 2015 and 2016.

The consolidated financial statements of the Group for the years ended 31 December 2014, 2015 and 2016 were audited by Deloitte, Certified Public Accountants, Hong Kong. The auditor of the Company has not issued any qualified opinion on the Group's financial statements for each of the three financial years ended 31 December 2014, 2015 and 2016.

**Special Dividend**

The Company had previously disclosed in paragraph (J) in the sub-section headed "SPA – Conditions precedent" of the Joint Announcement, that a special dividend of not less than HK\$16,318,800 will be declared by the Company, the record date of which shall be before the Completion Date (the "**Special Dividend**"). Accordingly, the Company published corresponding announcements in respect of the Special Dividend on 11 October 2017 and 23 October 2017, respectively, regarding the proposal to approve the Special Dividend and close the register of members of the Company.

As at the Latest Practicable Date, the Company has already resolved the declaration and payment of the Special Dividend of HK\$0.0394 per Share, amounting to a total of HK\$16,322,238 paid to Shareholders whose name appeared on the Company's register of members at the close of business on 27 October 2017. The payment of the Special Dividend was settled in cash on 3 November 2017, being the date of Completion.

## 2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

The following financial information is extracted from the annual report of the Company for the year ended 31 December 2016:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Revenue	5	2,867,339	3,223,589
Cost of sales		<u>(2,375,321)</u>	<u>(2,702,850)</u>
Gross profit		492,018	520,739
Other income		6,346	8,450
Administrative expenses		(480,991)	(458,369)
Other gains or losses	8	5,320	(1,563)
Share of profit of associates		353	336
Share of (loss) profit of joint ventures		(3,683)	58
Finance costs	9	<u>(3,327)</u>	<u>(4,292)</u>
Profit before taxation		16,036	65,359
Income tax expense	10	<u>(9,733)</u>	<u>(13,006)</u>
Profit for the year	11	<u>6,303</u>	<u>52,353</u>
Profit for the year attributable to:			
Owners of the Company		4,967	49,900
Non-controlling interests		<u>1,336</u>	<u>2,453</u>
		<u>6,303</u>	<u>52,353</u>
Earnings per share (Hong Kong cents)			
Basic and diluted	14	<u>1.2</u>	<u>12.0</u>

		2016 HK\$'000	2015 HK\$'000
	Notes		
Profit for the year		<u>6,303</u>	<u>52,353</u>
Other comprehensive (expense) income, net of income tax:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation decrease on leasehold land and buildings		(110)	(204)
Deferred tax arising on revaluation of leasehold land and buildings	31	155	190
<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		(1)	(6)
Share of reserve of joint ventures		(212)	(501)
Exchange difference arising from foreign operations		<u>(9,767)</u>	<u>(16,713)</u>
Other comprehensive expense for the year		<u>(9,935)</u>	<u>(17,234)</u>
Total comprehensive (expense) income for the year		<u>(3,632)</u>	<u>35,119</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(3,606)	35,730
Non-controlling interests		<u>(26)</u>	<u>(611)</u>
		<u>(3,632)</u>	<u>35,119</u>

## Consolidated Statement of Financial Position at 31 December 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	15	7,249	7,634
Property, plant and equipment	16	48,584	48,482
Goodwill	17	13,770	14,429
Intangible assets	18	17,654	20,918
Interests in associates	19	1,190	671
Interests in joint ventures	20	4,386	4,390
Available-for-sale investments	21	16,237	17,976
Deferred tax assets	31	163	561
		<u>109,233</u>	<u>115,061</u>
<b>Current assets</b>			
Trade receivables	22	496,150	423,001
Other receivables, deposits and prepayments	22	79,421	56,868
Held for trading investments	23	995	929
Amounts due from joint ventures	25	14,602	5,851
Amounts due from associates	24	10,523	8,304
Amounts due from related companies	26	6	–
Loan to a joint venture	25	3,414	–
Loan to an associate	24	500	500
Prepaid tax		3,431	1,152
Pledged bank deposits	27	10,747	11,976
Bank balances and cash	27	211,207	242,300
		<u>830,996</u>	<u>750,881</u>
<b>Current liabilities</b>			
Trade and other payables	28	309,685	265,029
Amount due to an associate	24	270	339
Amount due to a joint venture	25	–	2
Amount due to a related company	26	–	49
Tax liabilities		5,491	8,158
Obligations under finance leases			
– due within one year	29	498	603
Bank borrowings	30	145,400	98,595
		<u>461,344</u>	<u>372,775</u>
<b>Net current assets</b>		<u>369,652</u>	<u>378,106</u>
<b>Total assets less current liabilities</b>		<u>478,885</u>	<u>493,167</u>



	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Trade and other payables			
– due after one year	28	3,021	2,596
Obligations under finance leases			
– due after one year	29	294	416
Deferred tax liabilities	31	12,930	14,664
		<u>16,245</u>	<u>17,676</u>
		<u>462,640</u>	<u>475,491</u>
<b>Capital and reserves</b>			
Share capital	32	41,280	41,457
Reserves		<u>393,659</u>	<u>404,734</u>
Net assets attributable to owners of the Company		434,939	446,191
Non-controlling interests	33	<u>27,701</u>	<u>29,300</u>
<b>Total equity</b>		<u>462,640</u>	<u>475,491</u>

### Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Special reserve	Share options reserve	Other reserve	Translation reserve	Statutory reserve	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)		(Note c)		(Note b)					
At 1 January 2015	41,500	420,338	203	(295,411)	–	(705)	(5,655)	6,199	10,328	240,486	417,283	28,280	445,563
Profit for the year	–	–	–	–	–	–	–	–	–	49,900	49,900	2,453	52,353
Revaluation decrease on leasehold land and buildings	–	–	–	–	–	–	–	–	(204)	–	(204)	–	(204)
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	–	190	–	190	–	190
Share of reserve of associates	–	–	–	–	–	–	(6)	–	–	–	(6)	–	(6)
Share of reserve of joint ventures	–	–	–	–	–	–	(501)	–	–	–	(501)	–	(501)
Exchange difference arising from overseas operations	–	–	–	–	–	–	(13,649)	–	–	–	(13,649)	(3,064)	(16,713)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(14,156)	–	(14)	49,900	35,730	(611)	35,119
Repurchase and cancellation of ordinary shares	(43)	–	–	–	–	–	–	–	–	–	(43)	–	(43)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(440)	–	–	–	–	–	–	–	–	(440)	–	(440)
Recognition of equity-settled share-based payment	–	–	–	–	539	–	–	–	–	–	539	–	539
Capital contribution from non-controlling shareholders upon incorporation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,880	1,880
Acquisition of additional interest in a subsidiary from a non-controlling shareholder (note d)	–	–	(208)	–	–	–	–	–	–	–	(208)	207	(1)
Derecognition of translation reserve from deregistration of a joint venture	–	–	–	–	–	–	(30)	–	–	–	(30)	–	(30)
Dividend paid to shareholders (note 15)	–	–	–	–	–	–	–	–	–	(6,640)	(6,640)	–	(6,640)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(456)	(456)
Lapse of equity-settled share-based payment	–	–	–	–	(15)	–	–	–	–	15	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	1,657	–	(1,657)	–	–	–
At 31 December 2015	41,457	419,898	(5)	(295,411)	524	(705)	(19,841)	7,856	10,314	282,104	446,191	29,300	475,491

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

	Attributable to owners of the Company													
	Share capital	Share premium	Capital reserve	Special reserve	Share options reserve	Investment reserve	Other revaluation reserve	Translation reserve	Statutory reserve	Property revaluation reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)		(Note c)			(Note b)					
At 1 January 2016	41,457	419,898	(5)	(295,411)	524	(705)	-	(19,841)	7,856	10,314	282,104	446,191	29,300	475,491
Profit for the year	-	-	-	-	-	-	-	-	-	-	4,967	4,967	1,336	6,303
Revaluation decrease on leasehold land and buildings	-	-	-	-	-	-	-	-	-	(110)	-	(110)	-	(110)
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	-	-	155	-	155	-	155
Share of reserve of associates	-	-	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Share of reserve of joint ventures	-	-	-	-	-	-	-	(212)	-	-	-	(212)	-	(212)
Exchange difference arising from overseas operations	-	-	-	-	-	-	-	(8,405)	-	-	-	(8,405)	(1,362)	(9,767)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	-	(8,618)	-	45	4,967	(3,606)	(26)	(3,632)
Repurchase and cancellation of ordinary shares	(177)	-	-	-	-	-	-	-	-	-	-	(177)	-	(177)
Transaction costs attributable to repurchase and cancellation of ordinary shares	-	(1,850)	-	-	-	-	-	-	-	-	-	(1,850)	-	(1,850)
Recognition of equity-settled share-based payment	-	-	-	-	585	-	-	-	-	-	-	585	-	585
Acquisition of additional interest in a subsidiary from a non-controlling shareholder (note d)	-	-	(838)	-	-	-	-	-	-	-	-	(838)	(1,115)	(1,953)
Dividend paid to shareholders (note 15)	-	-	-	-	-	-	-	-	-	-	(5,366)	(5,366)	-	(5,366)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(458)	(458)
Lapse of equity-settled share-based payment	-	-	-	-	(19)	-	-	-	-	-	19	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	1,684	-	(1,684)	-	-	-
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
At 31 December 2016	41,280	418,048	(843)	(295,411)	1,090	(705)	-	(28,459)	9,540	10,359	280,040	434,939	27,701	462,640

### Notes:

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

## Consolidated Statement of Cash Flows for the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
<b>Operating activities</b>		
Profit before taxation	16,036	65,359
Adjustments for:		
Interest income	(1,025)	(633)
Finance costs	3,327	4,292
Share of results of associates	(353)	(336)
Share of results of joint ventures	3,683	(58)
Depreciation of property, plant and equipment	10,502	10,977
Amortisation of intangible assets	2,797	3,134
(Gain) loss on disposal of property, plant and equipment	(116)	114
Impairment loss on trade receivables recognised, net	2,708	13,706
Impairment loss on available-for-sale investment	581	–
Fair value changes of held for trading investments	(66)	115
Share-based payments	585	539
Fair value changes of investment properties	(123)	191
Write down long outstanding payable	(161)	(702)
Derecognition of translation reserve from deregistration of a joint venture	–	(30)
Operating cash flows before movements in working capital	38,375	96,668
(Increase) decrease in trade receivables	(65,846)	30,713
(Increase) decrease in other receivables, deposits and prepayments	(23,486)	4,513
(Increase) decrease in amount due from a joint venture	(13,036)	2,034
Decrease in amounts due from associates	645	337
Increase (decrease) in trade and other payables	54,638	(17,947)
Cash (used in) generated from operations	(8,710)	116,318
Income tax paid	(15,342)	(13,786)
<b>Net cash (used in) from operating activities</b>	<b>(24,052)</b>	<b>102,532</b>

	2016 HK\$'000	2015 HK\$'000
<b>Investing activities</b>		
Interest received	1,025	633
Purchase of property, plant and equipment	(12,602)	(9,975)
Advance to associates and joint ventures	(2,864)	(3,418)
Advance to a joint venture	(3,414)	(3,420)
Withdrawal of pledged bank deposits	1,239	–
Placement of pledged bank deposits	(68)	(1,079)
Payment for investments in joint ventures	(3,891)	(52)
Payment for investments in associates	(166)	(237)
Payment for additional interests in a subsidiary	(1,953)	(1)
Purchases of available-for-sale investments	–	(17,976)
Proceeds from deregistration of a joint venture	–	131
Proceeds from disposal of property, plant and equipment	366	488
<b>Net cash used in investing activities</b>	<u>(22,328)</u>	<u>(34,906)</u>
<b>Financing activities</b>		
Increase (decrease) in bank overdrafts	629	(9,762)
Increase (decrease) in factoring loans	49,065	(49,704)
Interest paid	(3,327)	(4,292)
New bank loans obtained	234,094	289,398
Repayment of bank loans	(237,033)	(280,202)
Dividends paid to non-controlling interests of the subsidiaries	(458)	(456)
Dividends paid	(5,366)	(6,640)
(Advance to) repayment from an associate	(69)	339
(Advance to) repayment from a joint venture	(11,778)	2
(Advance to) repayment from a related company	(55)	49
Repayment of obligations under finance leases	(694)	(605)
Capital injection from a non-controlling shareholder of a subsidiary	–	1,880
Payment for repurchase of ordinary shares	(177)	(43)
Payment for transactions attributable to repurchase of ordinary shares	(1,850)	(440)
<b>Net cash from (used in) financing activities</b>	<u>22,981</u>	<u>(60,476)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(23,399)	7,150
<b>Cash and cash equivalents at the beginning of the year</b>	242,300	242,978
Effect of foreign exchange rate changes	(7,694)	(7,828)
<b>Cash and cash equivalents at the end of the year</b>	<u>211,207</u>	<u>242,300</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<u>211,207</u>	<u>242,300</u>

**Notes to the Consolidated Financial Statements***For the year ended 31 December 2016***1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law in the Cayman Islands on 6 March 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 11 July 2014. The addresses of the registered office and the principle place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong respectively.

The Company acts as an investment holding company. The principal activities of associates, joint ventures and subsidiaries are set out in notes 19, 21 and 43 respectively.

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

**2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE “HKFRSs”)**

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

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
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

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup> and the related Amendments
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

#### HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

The management of the Group anticipates that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

#### **HKFRS 15 "Revenue from Contracts with Customers"**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

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

The management of the Group anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above impact, the management of the Group does not anticipate that the application of above new standards and amendments will have significant impact on the Group's consolidated financial statements.

#### **HKFRS 16 "Leases"**

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

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



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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$144,081,000 as disclosed in note 38. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

#### **Basis of consolidation**

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

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

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

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

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

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

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

#### **Changes in the Group's ownership interests in existing subsidiaries**

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

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

#### **Business combinations**

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

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

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

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

#### **Merger accounting for business combination involving entities under common control**

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

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

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

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

### **Goodwill**

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

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

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

### **Interests in associates and joint ventures**

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

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

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

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

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

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

#### **Revenue recognition**

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

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

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

General sales agency income is recognised when the services are rendered.

Logistics services income is recognised when the services are rendered.

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

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

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

#### **Property, plant and equipment**

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

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

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

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

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

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

#### **Investment properties**

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

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

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

#### **Intangible assets acquired in a business combination**

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

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

**Impairment losses on tangible and intangible assets other than goodwill**

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

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

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

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

**Financial instruments**

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

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

***Financial assets***

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

***Effective interest method***

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

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

*Financial assets at FVTPL*

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

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

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

*Available-for-sale investments*

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

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

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

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

*Loans and receivables*

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



*Impairment of financial assets*

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

Objective evidence of impairment could include:

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

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

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

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

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

*Financial liabilities and equity instruments*

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

*Equity instruments*

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

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities (including trade and other payables, amounts due to a related company, an associate, a joint venture and bank borrowings) are subsequently measured at amortised cost using effective interest method.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

*Derecognition*

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

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

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

**Borrowing costs**

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

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

**Retirement benefit costs**

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

**Share-based payment arrangements**

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

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

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

**Leasing**

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

*The Group as lessor*

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

*The Group as lessee*

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

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

*Leasehold land and building*

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

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

**Taxation**

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

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

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

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

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

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

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

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

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

#### **Foreign currencies**

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

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

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

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

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

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

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

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

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

##### **Critical judgments in applying accounting policies**

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

##### *Deferred taxation on investment properties*

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

##### **Key sources of estimation uncertainty**

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

##### *Estimated impairment losses on trade receivables*

The Group makes impairment losses on trade receivables (note 22) based on the assessments of the recoverability of the outstanding balances. Impairment losses are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible or recoverable. The identification of impairment losses require the estimation of future cash flows by considering the overdue balances, previous payment history, value of assets pledged as collateral and aging of the trade receivable. Where the expectation of the recoverability of the trade receivables is different from the original estimate, such difference will impact the carrying values of the trade receivables and impairment losses recognised in profit or loss in the year in which such estimate has changed. As at 31 December 2016, the carrying amounts of trade receivables are HK\$496,150,000 (2015: HK\$423,001,000) (net of allowance for doubtful debts of HK\$7,508,000 (2015: HK\$19,215,000)).

*Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of fair value less cost of disposal and value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The value in use calculation is dependent on inputs and assumptions that involve management's judgments, including preparation of cash flow projections which are based on recent financial budgets covering a 5-year period and apply growth rates and a discount rate. As at 31 December 2016, the carrying amount of goodwill is HK\$13,770,000 (2015: HK\$14,429,000). Details of the recoverable amount calculation are disclosed in note 17.

*Useful lives of intangible assets*

Amortisation is provided to write off the cost of intangible assets over their estimated useful lives which are determined by the Group. The carrying amounts of the intangible assets as at 31 December 2016 are HK\$17,654,000 (2015: HK\$20,918,000). In applying the accounting policy on intangible assets with respect to amortisation, the directors of the Company estimate the useful life of intangible assets according to the industrial experiences over the revenue expectation and also by reference to the relevant industrial norm. Should the useful lives of these assets differ from that previously estimated, the calculation of amortisation would be affected.

*Fair value measurements and valuation processes*

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 15, 16, 23 and 35 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

**5. REVENUE**

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

## 6. SEGMENT INFORMATION

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

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

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

## (a) Segment revenue and results

	Segment revenue		Segment results	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating and reportable segments				
Air freight	1,868,551	2,171,091	176,270	226,017
Ocean freight	835,134	895,112	128,741	128,254
General sales agency	123	11	(915)	(849)
Logistics	97,801	75,794	(3,756)	(2,613)
Others	65,730	81,581	25,922	22,014
Total	<u>2,867,339</u>	<u>3,223,589</u>	326,262	372,823
Other income			6,346	8,450
Other gains or losses			5,320	(1,563)
Unallocated corporate expenses			(315,235)	(310,453)
Share of profit of associates			353	336
Share of (loss) profit of joint ventures			(3,683)	58
Finance costs			<u>(3,327)</u>	<u>(4,292)</u>
Profit before taxation			<u>16,036</u>	<u>65,359</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Reportable segment results represents the profit earned by each segment without allocation of other income, other gains or losses, share of profit of associates, share of (loss) profit 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) Geographical information**

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

	<b>Turnover from external customers</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,098,400	1,273,315
PRC	547,175	613,140
Korea	73,306	65,988
Vietnam	65,169	73,499
Other Asian regions	295,638	329,821
The Netherlands	324,259	363,046
USA	430,315	461,644
Canada	33,077	43,136
	<u>2,867,339</u>	<u>3,223,589</u>

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

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	42,339	43,985
PRC	8,585	9,114
Indonesia	515	776
Malaysia	1,168	874
Other Asian regions	1,932	2,189
The Netherlands	28,612	31,500
USA	4,105	3,022
Canada	1	3
	<u>87,257</u>	<u>91,463</u>

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

**(d) Information about major customers**

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

## 7. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Interest income on:		
– bank deposits	892	616
– loan to an associate	25	17
Rental income	1,821	2,705
Management fee income	755	499
IT service income	344	29
Trademarks income	124	372
Write-down long outstanding payables	161	702
Sundry income	2,224	3,510
	<hr/>	<hr/>
Total	6,346	8,450
	<hr/>	<hr/>

## 8. OTHER GAINS OR LOSSES

	2016 HK\$'000	2015 HK\$'000
Gain (loss) on disposal of property, plant and equipment	116	(114)
Loss arising from changes in fair value of held for trading investments	66	(115)
Fair value gain (loss) on investment properties	123	(191)
Net foreign exchange gain (loss)	5,602	(1,108)
Impairment loss on available-for-sales investment	(581)	–
Derecognition of translation reserve from deregistration of a joint venture	–	(30)
Others	(6)	(5)
	<hr/>	<hr/>
	5,320	(1,563)
	<hr/>	<hr/>

## 9. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on:		
– bank borrowings	3,275	4,225
– obligations under finance leases	52	67
	<hr/>	<hr/>
	3,327	4,292
	<hr/>	<hr/>

## 10. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Current tax:		
– Hong Kong Profits Tax	360	3,012
– Enterprise Income Tax in the PRC	3,814	1,333
– Dutch Corporate Income Tax	1,603	2,466
– Indian Corporate Income Tax	301	594
– Vietnam Corporate Income Tax	1,218	1,534
– Thailand Corporate Income Tax	267	937
– Malaysia Corporate Income Tax	915	–
– Canadian Corporate Income Tax	648	154
– Other jurisdictions	2,210	2,242
	<u>11,336</u>	<u>12,272</u>
Overprovision in respect of prior years		
– Hong Kong Profits Tax	(52)	(70)
– Other jurisdictions	<u>(894)</u>	<u>225</u>
	<u>(946)</u>	<u>155</u>
Deferred taxation ( <i>note 31</i> )		
– Current year	<u>(657)</u>	<u>579</u>
	<u>9,733</u>	<u>13,006</u>

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiary of the Group is taxed at 25% in both financial years.

Dutch Corporate Income Tax rates are progressive tax rates. The corporate income tax charge has been calculated at the tax rate between 20.0% to 25.5% in both financial years.

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

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

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

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 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.

Details of the deferred taxation are set out in note 31.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation	16,036	65,359
Tax at the Hong Kong Profits Tax rate of 16.5%	2,646	10,784
Tax effect of expenses not deductible for tax purposes	3,094	1,452
Tax effect of income not taxable for tax purposes	(276)	(1,707)
Tax effect of share of results of associates	(58)	(55)
Tax effect of share of results of joint ventures	608	(10)
Effect on tax exemption granted	(34)	(19)
Tax effect of tax losses not recognised	3,487	2,134
Utilisation of tax losses previously not recognised	–	(327)
(Over)underprovision in respect of prior year	(946)	155
Effect of different tax rates of group entities operating in different jurisdictions other than Hong Kong	971	(955)
Withholding tax on undistributed earnings	(154)	1,173
Withholding tax upon dividend declared	555	215
Others	(160)	166
Tax charge for the year	9,733	13,006

## 11. PROFIT FOR THE YEAR

	2016 HK\$'000	2015 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	4,972	4,662
Depreciation of property, plant and equipment	10,502	10,977
Amortisation of intangible assets	3,130	3,134
Impairment loss on trade receivables recognised	5,470	16,019
Reversal of impairment loss on trade receivables	(2,762)	(2,313)
Operating lease rentals in respect of rented premises and motor vehicles	64,256	53,808
Staff costs		
Directors' emoluments ( <i>note 12</i> )	9,116	10,527
Other staff costs		
Staff costs excluding retirement benefit contributions	258,700	242,809
Retirement benefit contributions	26,692	24,488
Total staff costs	294,508	277,824
Gross rental income from investment properties	348	341
Less: outgoings incurred which did not generate rental income	(77)	(59)
	<u>271</u>	<u>282</u>

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

## Directors' emoluments

## Year ended 31 December 2016

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

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

## Year ended 31 December 2015

Name of director	Directors' fees HK\$'000	Basic salaries and allowances HK\$'000	Performance bonus (note) HK\$'000	Equity-settled share option expense HK\$'000	Director's quarter contributions HK\$'000	Retirement benefit HK\$'000	Total HK\$'000
<b>Executive directors</b>							
Mr. Lam	-	358	800	-	1,020	14	2,192
Mr. Haenisch	-	1,163	553	-	-	-	1,716
Ms. Cheung	-	1,051	723	-	-	18	1,792
Ms. Wong	-	969	432	113	-	18	1,532
Mr. Dennis Ronald de Wit	200	1,761	540	-	-	194	2,695
<b>Independent non-executive directors</b>							
Mr. Ng Wai Hung	200	-	-	-	-	-	200
Mr. Poon Ka Lee, Barry	200	-	-	-	-	-	200
Mr. Wong See Ho	200	-	-	-	-	-	200
	<u>800</u>	<u>5,302</u>	<u>3,048</u>	<u>113</u>	<u>1,020</u>	<u>244</u>	<u>10,527</u>

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

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

During the year ended 31 December 2016, the Group paid management fee of approximately HK\$2.4 million (2015: HK\$2.5 million) to D.R. de Wit Beheer B.V. (a company wholly owned by Mr. Dennis Ronald de Wit) for management services rendered by Mr. Dennis Ronald de Wit. Such management fee has been included in the directors' emoluments and such services provided pursuant to a management agreement constitute a continuing connected transaction which is subject to reporting and annual review requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange and the details of which are disclosed in the section headed "Continuing Connected Transactions" in the Directors' Report.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 39 to the Group's consolidated financial statements.

*Five highest paid individuals*

The five highest paid individuals included 3 directors (2015: 3) whose emoluments were included in the disclosure above. The emoluments of the remaining 2 (2015: 2) highest paid individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Employees		
– basic salaries and allowances	2,990	3,808
– bonus	–	–
– equity-settled share option expense	–	–
– retirement benefit contributions	–	–
	<u>2,990</u>	<u>3,808</u>

Their emoluments were within the following bands:

	2016 HK\$'000	2015 HK\$'000
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	2
	<u>2</u>	<u>2</u>

During the years ended 31 December 2016 and 31 December 2015, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments for both years.

During the year ended 31 December 2016, the Group paid management fees of HK\$2,990,000 (2015: HK\$3,808,000) to two companies for management services rendered by two of the highest paid individuals who have beneficial interest in the companies. Such management fees have been included in administrative expenses and disclosed as employees' emoluments in the table above.

**13. DIVIDEND**

	2016 HK\$'000	2015 HK\$'000
Proposed final dividend in respect of the year ended 31 December 2016 of nil (2015: HK\$1.6 cents) per share	<u>–</u>	<u>5,366</u>

Subsequent to the end of the reporting period, the Board does not recommend the payment of a final dividend (2015: HK\$1.30 cents) for the year ended 31 December 2016.

## 14. EARNINGS PER SHARE

	2016 HK\$'000	2015 HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	4,967	49,900
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	413,136,180	414,906,066

The calculation of the basic earnings per share for the year is based on the profit attributable to owners of the Company and the weighted average number of 413,136,180 ordinary shares in issue during the year (2015: the weighted average number of 414,906,066 ordinary shares).

The computation of diluted 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 current year.

## 15. INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	7,634	8,259
Net increase (decrease) in fair value recognised in profit or loss	123	(191)
Exchange realignment	(508)	(434)
At the end of the year	7,249	7,634

The fair value of the Group's investment properties situated outside of Hong Kong at 31 December 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out on the respective dates 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 has been no change to the valuation technique during the year.

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

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



## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Computer equipment HK\$'000	Furniture and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST OR VALUATION						
At 1 January 2015	24,966	29,432	18,090	14,186	5,793	92,467
Additions	–	4,503	3,284	2,124	507	10,418
Revaluation	(896)	–	–	–	–	(896)
Disposals	–	(1,157)	(614)	(10)	(216)	(1,997)
Exchange realignment	(1,311)	(848)	(1,052)	(305)	(164)	(3,680)
At 31 December 2015	22,759	31,930	19,708	15,995	5,920	96,312
Additions	–	4,768	4,409	3,369	523	13,069
Revaluation	(747)	–	–	–	–	(747)
Disposals	–	(1,147)	(446)	(818)	(1,415)	(3,826)
Exchange realignment	(1,514)	(667)	(595)	(302)	(109)	(3,187)
At 31 December 2016	20,498	34,884	23,076	18,244	4,919	101,621
Comprising:						
31 December 2016						
At cost	–	34,884	23,076	18,244	4,919	81,123
At valuation	20,498	–	–	–	–	20,498
	<u>20,498</u>	<u>34,884</u>	<u>23,076</u>	<u>18,244</u>	<u>4,919</u>	<u>101,621</u>
Comprising:						
31 December 2015						
At cost	–	31,930	19,708	15,995	5,920	73,553
At valuation	22,759	–	–	–	–	22,759
	<u>22,759</u>	<u>31,930</u>	<u>19,708</u>	<u>15,995</u>	<u>5,920</u>	<u>96,312</u>
DEPRECIATION						
At 1 January 2015	–	17,190	10,436	8,701	3,993	40,320
Charge for the year	720	4,807	2,336	2,235	879	10,977
Elimination on revaluation	(692)	–	–	–	–	(692)
Eliminated on disposals	–	(845)	(421)	(2)	(127)	(1,395)
Exchange realignment	(28)	(481)	(477)	(263)	(131)	(1,380)
At 31 December 2015	–	20,671	11,874	10,671	4,614	47,830
Charge for the year	668	4,393	2,952	1,996	493	10,502
Elimination on revaluation	(637)	–	–	–	–	(637)
Eliminated on disposals	–	(1,114)	(390)	(742)	(1,330)	(3,576)
Exchange realignment	(31)	(441)	(364)	(167)	(79)	(1,082)
At 31 December 2016	–	23,509	14,072	11,758	3,698	53,037
CARRYING VALUES						
At 31 December 2016	<u>20,498</u>	<u>11,375</u>	<u>9,004</u>	<u>6,486</u>	<u>1,221</u>	<u>48,584</u>
At 31 December 2015	<u>22,759</u>	<u>11,259</u>	<u>7,834</u>	<u>5,324</u>	<u>1,306</u>	<u>48,482</u>

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

Leasehold land and buildings	Over the term of the lease
Computer equipment	20%
Furniture and equipment	20%
Leasehold improvements	5 years or over the term of the lease if shorter
Motor vehicles	20%

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

The Group's leasehold land and buildings were valued on 31 December 2016 and 31 December 2015 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 leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available adjusted for differences in the nature, location and conditions of the subject properties. There has been no change to the valuation technique during the year.

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

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

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

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

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

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Cost	12,131	12,996
Accumulated depreciation	(2,461)	(2,116)
Carrying value	<u>9,670</u>	<u>10,880</u>

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

	2016 HK\$'000	2015 HK\$'000
Motor vehicles	551	573
Furniture and equipment	337	245
	<u>888</u>	<u>818</u>

#### 17. GOODWILL

	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	14,429	16,065
Exchange realignment	(659)	(1,636)
	<u>13,770</u>	<u>14,429</u>

Goodwill arose from the acquisition of OTX Logistics Holland and its subsidiaries (“**OTX Logistics Holland Group**”) during the year ended 31 December 2011. The OTX Logistics Holland Group is engaged in the provision of freight forwarding services in The Netherlands. The carrying value of goodwill with indefinite useful lives has been allocated to the business of OTX Logistics Holland Group as a whole. The management of the Group considers that OTX Logistics Holland Group is one cash generating unit (“CGU”) for the purpose of impairment testing.

The recoverable amount of the CGU of OTX Logistics Holland Group has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections which are based on recent financial budgets covering a 5-year period (2015: 5-year period) and discount rate of 15.85% (2015: 16.91%). Cash flows beyond the 5-year period have been extrapolated using zero growth rate. The key assumptions are budgeted gross margin based on the past performance and the Group’s expectation for the market development. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

## 18. INTANGIBLE ASSETS

	Computer system HK\$'000	Customer list HK\$'000	Trademarks HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 January 2015	–	25,349	9,350	34,699
Exchange realignment	–	(2,582)	–	(2,582)
At 31 December 2015	–	22,767	9,350	32,117
Addition	333	–	–	333
Exchange realignment	–	(1,038)	–	(1,038)
At 31 December 2016	333	21,729	9,350	31,412
<b>AMORTISATION</b>				
At 1 January 2015	–	8,450	506	8,956
Charge for the year	–	2,198	936	3,134
Exchange realignment	–	(891)	–	(891)
At 31 December 2015	–	9,757	1,442	11,199
Charge for the year	–	2,195	935	3,130
Exchange realignment	–	(571)	–	(571)
At 31 December 2016	–	11,381	2,377	13,758
<b>CARRYING VALUES</b>				
At 31 December 2016	333	10,348	6,973	17,654
At 31 December 2015	–	13,010	7,908	20,918

Intangible assets with finite useful lives represent the carrying amounts of the customer list arising on the acquisition of OTX Logistics Holland Group during the year ended 31 December 2011 and trademarks purchased from Mr. Lam for a cash consideration of HK\$9,350,000 during the year ended 31 December 2014. The costs of intangible assets are amortised over the estimated useful lives of ten years.

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

## 19. INTERESTS IN ASSOCIATES

	2016 HK\$'000	2015 HK\$'000
Cost of investments, unlisted	1,512	1,346
Share of post-acquisition losses and other comprehensive expenses, net of dividends received	126	(227)
Impairment loss recognised	(448)	(448)
	<u>1,190</u>	<u>671</u>

Particulars of associates at 31 December 2016 and 31 December 2015 are as follows:

Name of entity	Place/country of incorporation/ operation	Class of issued capital shares	Proportion of nominal value of held indirectly held by the Company		Principal activity
			2016	2015	
Fashion Care Logistics B.V.	The Netherlands	Ordinary	25%	25%	Inactive
On Time Worldwide Logistics Limited	Bangladesh	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide Logistics L.L.C. ("OT WW Dubai")	United Arab Emirates	Ordinary	49%	49%	Provision of freight forwarding services
On Time Worldwide International Cargo Services L.L.C. ("OT Abu Dhabi")	United Arab Emirates	Ordinary	49%	49% (note a)	Provision of freight forward services
VGL Hong Kong Limited ("VGL HK")	Hong Kong	Ordinary	50%	50% (note b)	Provision of freight forwarding services
威超國際貨運代理有限公司 ("VGL China")	PRC	Registered	50%	50% (note c)	Provision of freight forwarding services
On Time Worldwide Logistics (Private) Limited ("OT Sri Lanka")	Sri Lanka	Ordinary	40% (note d)	–	Provision of freight forwarding services

*Notes:*

- (a) On 26 May 2015, OT Abu Dhabi was incorporated in Abu Dhabi, United Arab Emirates, as a limited liability company with an authorised and issued share capital of AED150,000 divided into 100 shares of AED1,500 each. On the same date, the Company acquired 49% of the issued share capital of OT Abu Dhabi at a consideration AED73,500 (equivalent to HK\$155,000).
- (b) On 1 January 2015, the Group acquired 50% of the issued share capital of VGL HK at a consideration of HK\$82,000.
- (c) The Group owned 50% of the issued share capital of VGL China since its incorporation date on 17 July 2015.
- (d) On 29 April 2016, the Group acquired 40% of the issued share capital of OT Sri Lanka at a consideration of LKR3,192,000 (equivalent to HK\$166,000).

Aggregate financial information of associates that is not individually material:

	2016 HK\$'000	2015 HK\$'000
The Group's share of profit of associates for the year	353	336
The Group's share of other comprehensive expense of associates for the year	(1)	(6)
The Group's share of total comprehensive income	352	330
Aggregate carrying amount of the Group's interests in associates	1,190	671

**Unrecognised share of losses of an associate**

	2016 HK\$'000	2015 HK\$'000
The unrecognised share of loss of associates for the year	1,141	420
Cumulative unrecognised share of losses of associates for the year	1,673	531

**20. INTERESTS IN JOINT VENTURES**

	2016 HK\$'000	2015 HK\$'000
Cost of investments, unlisted	6,661	2,770
Share of post-acquisition profits and other comprehensive income, net of dividends received	(2,275)	1,620
	4,386	4,390

Particulars of the joint ventures at 31 December 2016 and 31 December 2015 are as follows:

Name of entity	Place/country of incorporation/ operation	Class of issued capital shares	Proportion of nominal value of held indirectly held by the Company		Principal activity
			2016	2015	
OTX Logistics Rotterdam B.V.	The Netherlands	Ordinary	37.5%	37.5%	Provision of freight forwarding services
BFM International Company Limited ("BFM HK")	Hong Kong	Ordinary	40% (note c)	50% (note a)	e-commerce
BFM Holdings Limited ("BFM BVI")	BVI	Ordinary	40% (note c)	50% (note b)	Investment holding
BFM (Shenzhen) Network Technology Co. Ltd. 白富美(深圳)網絡科技有限公司 ("BFM China")	PRC	Registered	40% (note d)	N/A	Inactive

*Notes:*

- (a) BFM HK was incorporated on 9 March 2015 and the Group has acquired 50% equity interest of BFM HK for a consideration of HK\$50,000 on its date of incorporation. On 5 November 2015, the Group disposed its interest in BFM HK to BFM BVI. On the same date, BFM BVI acquired the remaining 50% interest in BFM HK from an independent third party. As a result, BFM HK became a wholly-owned subsidiary of BFM BVI, and remained as a joint venture of the Group.
- (b) BFM BVI was incorporated on 28 September 2015 and the Group has acquired 50% equity interest of BFM BVI for a consideration of US\$200 (equivalent to HK\$2,000) on its date of incorporation. As a result, BFM BVI became a joint venture of the Group. On 5 November 2015, BFM BVI acquired the entire interest in BFM HK at a consideration of HK\$100,000.
- (c) On 1 January 2016, 600 shares of BFM BVI were issued in which the Group allotted 200 shares. As such, the equity interests in BFM BVI and BFM HK were diluted to 40%.
- (d) On 19 May 2016, BFM China was incorporated by BFM HK. As a result, BFM China became a joint venture of the Group.

**Aggregate financial information of the joint ventures that is not individually material**

	2016 HK\$'000	2015 HK\$'000
The Group's share of (loss) profit	(3,683)	58
The Group's share of other comprehensive expense	(212)	(501)
The Group's share of total comprehensive expense	(3,895)	(443)
Aggregate carrying amount of the Group's interest in joint ventures	4,386	4,390

## Unrecognised share of loss of a joint venture

	2016 HK\$'000	2015 HK\$'000
The unrecognised share of loss of a joint venture for the year	–	988
Cumulative unrecognised share of loss of a joint venture for the year	–	988

## 21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Listed equity securities	16,237	–
Unlisted equity securities	–	17,976
	16,237	17,976

The listed and unlisted equity securities represent the Group's investment in 北京明邦物流股份有限公司 (“DNJ China”) and Blackon Lab Holdings Limited (“Blackon Lab”) with carrying amount of HK\$16,237,000 (2015: HK\$17,395,000) and nil (2015: HK\$581,000) respectively. DNJ China is incorporated in the PRC and the Group's investment represents 13% holding of the ordinary shares of DNJ China. DNJ China was established and listed on the National Equities Exchange and Quotations System on 21 March 2016. Blackon Lab is incorporated in the BVI and the Group's investment represents 1% holding of the ordinary shares of Blackon Lab. The investments are not regarded as an associate of the Group because the Group has less than one-fifth of the voting power and the group has no right to appoint directors in DNJ China and Blackon Lab.

At the end of the reporting period, available-for-sale investment is stated at fair value. As at 31 December 2015, the unlisted entity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. The Company has no intention to dispose the investments in coming year.

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

During the year ended 31 December 2016, impairment loss of HK\$581,000 (2015: nil) in respect of the unlisted equity securities has been recognised in the consolidated statement of profit or loss.

## 22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK\$'000	2015 HK\$'000
Trade receivables	503,658	442,216
Less: allowance for doubtful debts	(7,508)	(19,215)
	496,150	423,001



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 doubtful debts, based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
0 – 30 days	288,100	236,121
31 – 60 days	140,663	131,355
61 – 90 days	45,206	33,170
91 – 180 days	10,811	15,367
Over 180 days	11,370	6,988
	<u>496,150</u>	<u>423,001</u>

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

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

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

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Overdue		
0 – 30 days	140,663	131,355
31 – 60 days	45,206	33,170
61 – 150 days	10,811	15,367
Over 150 days	11,370	6,988
	<u>208,050</u>	<u>186,880</u>

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

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

	2016 HK\$'000	2015 HK\$'000
Balance at the beginning of the year	19,215	13,269
Impairment losses recognised	5,470	16,019
Amounts written off	(13,552)	(7,102)
Reversal of impairment losses	(2,762)	(2,313)
Exchange realignment	(863)	(658)
	<u>7,508</u>	<u>19,215</u>
Balance at the end of the year	<u>7,508</u>	<u>19,215</u>

As at 31 December 2016 and 31 December 2015, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$7,508,000 and HK\$19,215,000 respectively, which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	2016 HK\$'000	2015 HK\$'000
Club debenture	243	255
Other deposits	12,622	12,775
Other receivables	40,916	22,163
Other tax receivables	3,505	2,860
Prepayments	11,763	9,846
Rental deposits	10,372	8,969
	<u>79,421</u>	<u>56,868</u>

Included in other receivables are receivables relating to freight forwarding services rendered but not yet billed to customers of HK\$37,494,000 and HK\$17,969,000 at 31 December 2016 and 31 December 2015, respectively.

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

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	<u>37,494</u>	<u>17,969</u>

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

	2016 HK\$'000	2015 HK\$'000
United States dollars ("US\$")	190,828	130,349
Renminbi ("RMB")	14,478	2,963
Euro ("EUR")	–	–
Singapore dollars ("SGD")	7	5
Malaysian Ringgit ("RM")	3	3
Indonesian rupiah ("IDR")	3,824	2,593
Canadian dollars ("CAD")	307	168
	<u>307</u>	<u>168</u>

#### Transfers of financial assets

The followings were the Group's trade receivables as at 31 December 2016 and 31 December 2015 that were transferred to banks by factoring those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured factoring loans (see note 30).

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

	2016 HK\$'000	2015 HK\$'000
Carrying amount of transferred assets	119,615	57,919
Carrying amount of associated liabilities	<u>(95,691)</u>	<u>(46,576)</u>
Net position	<u>23,924</u>	<u>11,343</u>

#### 23. HELD FOR TRADING INVESTMENTS

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

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

As at 31 December 2016, the amounts due from associates amounting to HK\$10,717,000 (2015: HK\$7,888,000) and amount due to an associate amounting to HK\$270,000 (2015: HK\$339,000) are non-trade related, unsecured, interest-free, and repayable on demand.

Trade balances due from associates are unsecured and interest-free. The Group allows average credit period of 30 days to its trade balances due from associates. The credit period granted by the associates to the Group is within 30 days. The following is an aged analysis of trade balances due from associates, based on the invoice date at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
0 – 60 days	(194)	416

The amounts due from (to) associates are not yet past due.

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

	2016 HK\$'000	2015 HK\$'000
US\$	4,735	2,893

As at 31 December 2016, the loan to an associate, VGL HK, amounting to HK\$500,000 (2015: HK\$500,000) is unsecured, repayable on demand and carries interest at 5% per annum.

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

**25. AMOUNTS DUE FROM (TO) JOINT VENTURES/LOAN TO A JOINT VENTURE**

As at 31 December 2016, other than set out below, the amounts due from joint ventures amounting to HK\$550,000 (2015: HK\$4,006,000) and amount due to a joint venture amounting to HK\$nil (2015: HK\$2,000) are non-trade related, unsecured, interest-free and repayable on demand.

The Group allows average credit period of 30 days to its trade balances due from joint ventures and the balances are unsecured and interest-free. The following is an aged analysis of trade balance due from joint ventures based on invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
0 – 30 days	4,208	1,542
31 – 60 days	3,066	297
61 – 90 days	2,505	6
91 – 180 days	3,655	–
Over 180 days	618	–
	14,052	1,845

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

	2016 HK\$'000	2015 HK\$'000
Overdue		
0 – 30 days	3,066	297
31 – 60 days	2,505	6
61 – 150 days	3,655	–
Over 150 days	618	–
	<u>9,844</u>	<u>303</u>

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

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

	2016 HK\$'000	2015 HK\$'000
US\$	<u>11,271</u>	<u>5,477</u>

## 26. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The balances controlled by a director disclosed pursuant to Hong Kong Companies Ordinance are as follows:

	2016 HK\$'000	2015 HK\$'000
Amounts due from (to) related companies – non-trade		
On Good Development Limited ( <i>note</i> )	4	(49)
First Choice International Limited ( <i>note</i> )	<u>2</u>	<u>–</u>
	<u>6</u>	<u>(49)</u>

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

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

## 27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK\$10,747,000 (2015: HK\$11,976,000) are pledged as securities in favour of banks facilities. The average effective interest rate of pledged bank deposits was 1.01% (2015: 1.01%) per annum as at 31 December 2016.

Bank balances as at 31 December 2016 carry interests at market rates which range from 0% to 8.25% (2015: 0% to 10.50%) per annum.

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

	2016 HK\$'000	2015 HK\$'000
US\$	73,673	56,752
RMB	709	876
EUR	2,508	5,356
SGD	34	93
IDR	275	584
CAD	602	889
British pound sterling ("GBP")	48	71

## 28. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	241,311	201,815
Other payables and accrued charges	63,422	63,601
Deposit received	7,696	2,076
Advance from employees	277	133
	<u>312,706</u>	<u>267,625</u>
Analysed as:		
– current	309,685	265,029
– non-current	<u>3,021</u>	<u>2,596</u>
	<u>312,706</u>	<u>267,625</u>

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

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

	2016 HK\$'000	2015 HK\$'000
Within 60 days	227,283	172,540
61 – 180 days	8,975	24,105
181 – 365 days	1,274	1,846
1 – 2 years	<u>3,779</u>	<u>3,324</u>
	<u>241,311</u>	<u>201,815</u>

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

	2016 HK\$'000	2015 HK\$'000
US\$	17,080	11,612
RMB	2,335	–
EUR	4,566	3,510
CAD	1,043	825
IDR	1,884	2,214
GBP	310	1,899
	<u>          </u>	<u>          </u>

## 29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Amounts payable under finance leases:				
Within one year	528	639	498	603
In more than one year but not more than two years	259	343	251	333
In more than two years but not more five years	<u>44</u>	<u>86</u>	<u>43</u>	<u>83</u>
	831	1,068	792	1,019
Less: future finance charges	<u>(39)</u>	<u>(49)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u>792</u>	<u>1,019</u>	792	1,019
Less: Amount due from settlement within one year (shown under current liabilities)			<u>(498)</u>	<u>(603)</u>
Amount due for settlement after one year			<u>294</u>	<u>416</u>

The Group has leased certain of its furniture and equipment and motor vehicles under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 0.94% to 12.24% (2015: 0.30% to 6.33%) per annum as at 31 December 2016.

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

## 30. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Secured:		
– bank overdrafts	812	183
– bank loans	48,897	51,836
– factoring loans	95,691	46,576
	<u>145,400</u>	<u>98,595</u>

The borrowings are repayable:

	2016 HK\$'000	2015 HK\$'000
Carrying amounts of bank borrowings that contain a repayment on demand clause:		
<i>Analysed based on original repayment schedule</i>		
Repayable within one year from the end of reporting period	48,897	51,836
Repayable on demand	96,503	46,759
Less: Amount due within one year shown under current liabilities	<u>(145,400)</u>	<u>(98,595)</u>
Amount due after one year	<u>–</u>	<u>–</u>

The Group's bank borrowings carry interest variable to Hong Kong Interbank Offered Rate, Hong Kong Best Lending Rate, HK\$ Money Market Saving Debit Interest Base Rate, Korea Best Lending Rate, Malaysia Base Lending Rate and London Interbank Offered Rate. As at 31 December 2016, the effective interest rates range from 2.44% to 8.1% (2015: 2.44% to 8.1%) per annum which expose the Group to cash flow interest rate risk.

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

	2016 HK\$'000	2015 HK\$'000
US\$	<u>812</u>	<u>1,203</u>

As at 31 December 2016, the above bank borrowings are secured by pledged bank deposits of HK\$10,747,000 (2015: HK\$11,976,000) and trade receivables of HK\$119,615,000 (2015: HK\$57,919,000).



## 31. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Intangible assets HK\$'000	Revaluation of properties HK\$'000	Withholding tax on undistributed earnings HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2014	(397)	(4,309)	(3,709)	(6,445)	191	(14,669)
Credit (charge) to profit or loss	186	561	50	(1,173)	(201)	(577)
Charge to other comprehensive income	–	–	190	–	–	190
Exchange realignment	12	431	193	327	(10)	953
At 31 December 2015	(199)	(3,317)	(3,276)	(7,291)	(20)	(14,103)
Credit (charge) to profit or loss	(138)	560	(31)	154	112	657
Charge to other comprehensive income	–	–	155	–	–	155
Exchange realignment	5	119	219	185	(4)	524
At 31 December 2016	(332)	(2,638)	(2,933)	(6,952)	88	(12,767)

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

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	163	561
Deferred tax liabilities	(12,930)	(14,664)
	(12,767)	(14,103)

At 31 December 2016, the Group had unused tax losses of HK\$57,371,000 (2015: HK\$36,332,000), available to offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2016 HK\$'000	2015 HK\$'000
2021	3,970	–
2031	2,495	–
2032	4,346	2,494
2033	7,171	4,342
2034	1,870	7,165
2035	8,890	1,869
Indefinite	28,629	20,462
	57,371	36,332

As at 31 December 2016, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$8,150,000 (2015: HK\$7,920,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

### 32. SHARE CAPITAL

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

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

### 33. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Other comprehensive expense allocated to non-controlling interests		Accumulated non-controlling interest	
		2016	2015	2016	2015	2016	2015	2016	2015
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
On Time Worldwide Logistics Ltd. ("OT Korea")	Korea	49%	49%	1,146	619	(160)	(214)	4,674	3,688
OTX Logistics Holland Group	The Netherlands	25%	25%	579	2,057	(1,222)	(2,755)	19,603	20,246
Individual immaterial subsidiaries with non-controlling interests				(389)	(223)	20	(95)	3,424	5,366
				1,336	2,453	(1,362)	(3,064)	27,701	29,300

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

**OT Korea**

	2016 HK\$'000	2015 HK\$'000
Current assets	18,268	11,714
Non-current assets	265	193
Current liabilities	(8,995)	(4,381)
Non-current liabilities	–	–
Equity attributable to owners of the Company	4,865	3,838
Non-controlling interests	4,674	3,688
Revenue	76,673	68,520
Expenses	(74,335)	(67,258)
Profit for the year	2,338	1,262
Profit attributable to owner of the Company	1,192	643
Profit attributable to the non-controlling interests	1,146	619
Profit for the year	2,338	1,262
Other comprehensive expense attributable to owner of the Company	(166)	(223)
Other comprehensive expense attributable to the non-controlling interests	(160)	(214)
Other comprehensive expense for the year	(326)	(437)
Total comprehensive income attributable to owner of the Company	1,026	420
Total comprehensive income attributable to the non-controlling interests	986	405
Total comprehensive income for the year	2,012	825

	2016 HK\$'000	2015 HK\$'000
Dividends paid to non-controlling interest	—	—
Net cash inflow from operating activities	4,719	3,458
Net cash outflow from investing activities	(135)	(67)
Net cash outflow from financing activities	—	(1,478)
Net cash inflow	4,584	1,913
<b>OTX Logistics Holland Group</b>		
	2016 HK\$'000	2015 HK\$'000
Current assets	137,447	121,365
Non-current assets	33,044	35,939
Current liabilities	(118,412)	(99,414)
Non-current liabilities	(2,970)	(3,651)
Equity attributable to owners of the Company	29,506	33,993
Non-controlling interests	19,603	20,246
Revenue	331,152	367,494
Expenses	(326,154)	(360,082)
Profit for the year	4,998	7,412
Profit attributable to owner of the Company	4,419	5,355
Profit attributable to the non-controlling interests	579	2,057
Profit for the year	4,998	7,412
Other comprehensive expense attributable to owner of the Company	(3,650)	(7,625)
Other comprehensive expense attributable to the non-controlling interests	(1,222)	(2,755)
Other comprehensive expense for the year	(4,872)	(10,380)

	2016 HK\$'000	2015 HK\$'000
Total comprehensive income (expense) attributable to owner of the Company	769	(2,270)
Total comprehensive expense attributable to the non-controlling interests	(643)	(698)
Total comprehensive income (expense) for the year	<u>126</u>	<u>(2,968)</u>
Dividends paid to non-controlling interest	<u>–</u>	<u>–</u>
Net cash (outflow) inflow from operating activities	<u>(6,322)</u>	<u>23,038</u>
Net cash outflow from investing activities	<u>(2,372)</u>	<u>(912)</u>
Net cash outflow from financing activities	<u>(26)</u>	<u>(198)</u>
Net cash (outflow) inflow	<u>(8,720)</u>	<u>21,928</u>

#### 34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 30, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

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

#### 35. FINANCIAL INSTRUMENTS

##### (a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
Held for trading investments	995	929
Available-for-sale investments	16,237	17,976
Loans and receivables (including cash and cash equivalents)	<u>784,646</u>	<u>714,095</u>
<b>Financial liabilities</b>		
Amortised cost	445,783	359,942
Obligations under finance leases	<u>792</u>	<u>1,019</u>

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

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

**(i) Market risk***Interest rate risk*

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

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

*Interest rate sensitivity analysis*

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

If interest rate had been of 50 basis points higher/lower and all other variables held constant, the Group's post-tax profit would decrease/increase by HK\$607,000 (2015: decrease/increase by HK\$408,000) for the year ended 31 December 2016.

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

*Currency risk*

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

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

	2016 HK\$'000	2015 HK\$'000
<b>Assets</b>		
US\$	281,502	196,403
RMB	15,183	3,836
EUR	54	2,675
SGD	41	98
IDR	4,099	3,177
CAD	909	1,057
	<u>          </u>	<u>          </u>
<b>Liabilities</b>		
US\$	17,892	12,817
RMB	2,335	–
EUR	4,566	3,510
IDR	1,884	2,214
CAD	1,043	825
GBP	1,951	1,899
	<u>          </u>	<u>          </u>

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

Amounts due (to) from group entities

	2016 HK\$'000	2015 HK\$'000
US\$	(53,870)	(62,238)
RMB	(46,882)	(14,754)
EUR	(1,769)	(52,727)
	<u>          </u>	<u>          </u>

Currency risk sensitivity analysis

The group entities are mainly exposed to the effect of fluctuation in US\$, RMB and EUR. The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency of relevant group entities against US\$, RMB and EUR. 10% is the sensitivity rate used as it represents management's assessment of the reasonably possible change in foreign exchange rates. Since Hong Kong dollar is pegged to US\$, such foreign currency risk is minimal, and excluded from the calculation below.

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

(Decrease) increase in the profit

	2016 HK\$'000	2015 HK\$'000
US\$ impact	(3,033)	(1,131)
RMB impact	2,066	856
EUR impact	381	4,291
	<u>          </u>	<u>          </u>

*Price risk*

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

If the market price of the held for trading investments had been 7% higher/lower while all other variables were held constant, the Group's post-tax profit after tax for the year ended 31 December 2016 would increase/decrease by HK\$58,000 (2015: HK\$54,000).

*(ii) Credit risk*

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

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

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

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

*(iii) Liquidity risk*

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

The Group relies on bank borrowings and advance from related companies as significant sources of liquidity during the reporting period. The Group has available unutilised borrowing facilities of HK\$123,796,000 (2015: HK\$244,961,000) as at 31 December 2016.



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

	Weighted average effective interest rate %	On demand HK\$'000	Less than 6 months HK\$'000	6 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31.12.2016</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	14,029	283,063	-	3,021	300,113	300,113
Amount due to an associate	-	270	-	-	-	270	270
Amount due to a joint venture	-	-	-	-	-	-	-
Amount due to a related company	-	-	-	-	-	-	-
Bank borrowings	2.72	145,400	-	-	-	145,400	145,400
Obligations under finance leases	3.50	-	264	264	303	831	792
		<u>159,699</u>	<u>283,327</u>	<u>264</u>	<u>3,324</u>	<u>446,614</u>	<u>446,575</u>
<b>31.12.2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	29,275	230,105	-	2,596	261,976	261,976
Amount due to an associate	-	339	-	-	-	339	339
Amount due to a joint venture	-	2	-	-	-	2	2
Amount due to a related company	-	49	-	-	-	49	49
Bank borrowings	3.10	98,595	-	-	-	98,595	98,595
Obligations under finance leases	5.90	-	331	306	431	1,068	1,019
		<u>128,260</u>	<u>230,436</u>	<u>306</u>	<u>3,027</u>	<u>362,029</u>	<u>361,980</u>

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

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

	Less than 6 months HK\$'000	6 months 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2016	49,157	–	–	49,157	48,897
As at 31 December 2015	52,047	–	–	52,047	51,836

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

(c) Fair value measurements of financial instruments

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>At 31 December 2016</b>			
Held for trading investments	995	–	995
<b>At 31 December 2015</b>			
Held for trading investments	929	–	929

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

Financial assets	Fair value 2016 HK\$'000	Fair value 2015 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Held for trading investments				
– Quoted investment fund (note 23)	995	929	Level 1	Quoted market bid price

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

**36. RETIREMENT BENEFIT PLANS**

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

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

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

During the year ended 31 December 2016, the total cost charged to profit or loss of HK\$26,935,000 (2015: HK\$24,732,000) respectively represents contributions payable to these schemes by the Group. As at 31 December 2016 and 31 December 2015, contributions of HK\$3,898,000 and HK\$3,506,000 respectively due in respect of the reporting period had not been paid over to the schemes.

**37. PLEDGE OF ASSETS**

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

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Trade receivables	119,615	57,919
Held for trading investments	995	929
Pledged bank deposits	10,747	11,976
	<u>131,357</u>	<u>70,824</u>

**38. OPERATING LEASES****The Group as a lessor**

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

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Within one year	1,655	1,358
In the second to fifth year inclusive	78	357
	<u>1,733</u>	<u>1,715</u>

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

**The Group as a lessee**

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

	2016 HK\$'000	2015 HK\$'000
Within one year	50,509	51,313
In the second to fifth year inclusive	92,432	77,509
Over five years	1,140	8,665
	<u>144,081</u>	<u>137,487</u>

As at 31 December 2016, included in the above future minimum lease payments for related companies are HK\$8,672,100 (2015: HK\$2,914,800).

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

**39. SHARE-BASED PAYMENT TRANSACTIONS****Equity-settled share option scheme of the Company:**

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

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 2,782,000, representing 0.67% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on its listing date on 11 July 2014, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of specific categories of options are as follows:

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

	Number of share options
Outstanding as at 1 January 2015	–
Granted during the year	3,012,000
Lapsed of share options due to departure of an employee	<u>(130,000)</u>
Outstanding as at 31 December 2015 and 1 January 2016	2,882,000
Lapsed of share options due to departure of an employee	<u>(100,000)</u>
Outstanding as at 31 December 2016	<u>2,782,000</u>

Options were granted on 26 January 2015.

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

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

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

Expected volatility was determined by using the historical volatility of the Company's share price since its shares listed on 11 July 2014. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$585,000 for the year ended 31 December 2016 (2015: HK\$539,000) in relation to share options granted by the Company.

#### 40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$467,000 (2015: HK\$443,000).

#### 41. RELATED PARTY TRANSACTIONS

Other than set out in these consolidated financial statements, the Group has entered into the following related party transactions:

	2016 HK\$'000	2015 HK\$'000
<b>Associates</b>		
OT Bangladesh		
– Freight income received	361	709
– Freight charge paid	27,908	25,492
	<u>          </u>	<u>          </u>
OT WW Dubai		
– Freight income received	1,222	10
– Freight charge paid	1,306	1,706
– Management fee income received	253	18
	<u>          </u>	<u>          </u>
OT Abu Dhabi		
– Freight income received	82	–
– Freight charge paid	26	9
– Management fee income	3	1
	<u>          </u>	<u>          </u>

	2016 HK\$'000	2015 HK\$'000
<b>VGL HK</b>		
– Freight income received	906	1,794
– Freight charge paid	306	112
– Management fee income received	27	24
– Loan interest income	25	17
	<u>          </u>	<u>          </u>
<b>VGL China</b>		
– Freight income received	1,555	–
– Freight charge paid	763	–
– Management fee income received	47	35
	<u>          </u>	<u>          </u>
<b>OT Sri Lanka</b>		
– Freight income received	115	–
– Freight charge paid	7,851	–
– Management fee income received	302	–
	<u>          </u>	<u>          </u>
<b>Joint venture</b>		
<b>OTX Logistics Rotterdam B.V.</b>		
– Freight income received	29,774	23,996
– Freight charge paid	3,021	2,711
	<u>          </u>	<u>          </u>
<b>Related companies controlled by Mr. Lam</b>		
<b>First Choice International Limited</b>		
– Rental expenses	1,140	1,020
	<u>          </u>	<u>          </u>
<b>On Good Development Limited</b>		
– Rental expenses	1,835	1,448
	<u>          </u>	<u>          </u>
<b>Related company controlled by Mr. Dennis Ronald de Wit</b>		
<b>T.Y.D. Holding B.V.</b>		
– Management fee paid	–	1,300
	<u>          </u>	<u>          </u>

None of the above related party transactions during the year ended 31 December 2016 constitutes connected transaction or continuing connected transaction which is subject to shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (2015: nil).

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

	2016 HK\$'000	2015 HK\$'000
Staff costs excluding retirement benefit contributions	14,362	15,591
Retirement benefit contributions	423	320
	<u>14,785</u>	<u>15,911</u>

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

#### 42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	2016 HK\$'000	2015 HK\$'000
Non-current asset		
Interest in a subsidiary ( <i>note i</i> )	<u>446,221</u>	<u>427,167</u>
Current assets		
Other receivables and prepayments	306	375
Bank balances and cash	<u>33,865</u>	<u>36,844</u>
	<u>34,171</u>	<u>37,219</u>
Current liability		
Other payables	<u>6,926</u>	<u>761</u>
Net current assets	<u>27,245</u>	<u>36,458</u>
Total assets less current liability	<u>473,466</u>	<u>463,625</u>
Capital and reserves ( <i>note ii</i> )		
Share capital	41,280	41,457
Reserves	<u>432,186</u>	<u>422,168</u>
	<u>473,466</u>	<u>463,625</u>

Notes:

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

(ii) Capital and reserves

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 1 January 2015	41,500	420,338	–	(2,572)	459,266
Profit for the year	–	–	–	10,943	10,943
Total comprehensive expense for the year	–	–	–	10,943	10,943
Repurchase and cancellation of ordinary shares	(43)	–	–	–	(43)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(440)	–	–	(440)
Recognition of equity settled share-based payment	–	–	539	–	539
Lapse of equity settled share-based payment	–	–	(15)	15	–
Dividend paid to shareholders (note 13)	–	–	–	(6,640)	(6,640)
At 31 December 2015	41,457	419,898	524	1,746	463,625
Profit for the year	–	–	–	16,649	16,649
Total comprehensive expense for the year	–	–	–	16,649	16,649
Repurchase and cancellation of ordinary shares	(177)	–	–	–	(177)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(1,850)	–	–	(1,850)
Recognition of equity settled share-based payment	–	–	585	–	585
Lapse of equity settled share-based payment	–	–	(19)	19	–
Dividend paid to shareholders (note 13)	–	–	–	(5,366)	(5,366)
At 31 December 2016	41,280	418,048	1,090	13,048	473,466



## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Place of operation	Principal activities
			2016	2015		
Gold Forum International Limited	BVI 3 May 2011	US\$50,000	100%	100%	Hong Kong	Investment holding
Harbour Zone Limited	BVI 4 January 2011	US\$50,000	100%	100%	Hong Kong	Investment holding
Jumbo Channel Limited	BVI 4 May 2011	US\$50,000	100%	100%	Hong Kong	Investment holding
On Time Worldwide Logistics Limited	BVI 3 March 2011	US\$50,000	100%	100%	Hong Kong	Investment holding
On Time Worldwide Logistics Limited	Cambodia 4 November 2010	KHR4,000,000	70%	70%	Cambodia	Provision of freight forwarding services
OTX Logistics Canada Limited	Canada 15 April 2011	CAD10	51%	51%	Canada	Provision of freight forwarding services
Champion Kind Limited 聯恩有限公司 ("Champion Kind")	Hong Kong 10 July 2015	HK\$800,000	55% (note 1)	55%	Hong Kong	Investment holding
Citynet 聯城物流環球有限公司	Hong Kong 17 September 1999	HK\$2	100%	100%	Hong Kong	General sales agency
eTotal Solution Limited	Hong Kong 9 June 2015	HK\$3,000,000	100%	100%	Hong Kong	Provision of freight forwarding service and investment holding
Holicbuy Company Limited 海品匯有限公司	Hong Kong 30 May 2014	HK\$10,000	70%	70%	Hong Kong	E-commerce
Mega Glory International Trading Limited 白匯國際貿易有限公司 ("Mega Glory")	Hong Kong 22 May 2015	HK\$10,000	51% (note 1)	51%	Hong Kong	Inactive
Mega Wise Group Limited 百睿集團有限公司 ("Mega Wise")	Hong Kong 6 November 2015	HK\$3,800,000	51% (note 1)	51%	Hong Kong	Inactive
On Time Aviation Services Limited 先達航材服務有限公司	Hong Kong 11 April 2011	HK\$10,000	100%	100%	Hong Kong	Contract Logistic
OT HK 先達國際貨運有限公司	Hong Kong 18 July 1995	HK\$20,000,000	100%	100%	Hong Kong	Provision of freight forwarding services and investment holding

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Place of operation	Principal activities
			2016	2015		
On Line Service Limited	Hong Kong 17 December 2009	HK\$10,000	100%	100%	Hong Kong	Inactive
OT SL HK 先達航運有限公司	Hong Kong 15 September 2004	HK\$10,000	100%	100%	Hong Kong	Issuing of bills of lading
On Time Worldwide Limited	Hong Kong 12 July 2011	HK\$10,000	75%	75%	Hong Kong	Provision of freight forwarding services
OT WW HK 先達環球物流有限公司	Hong Kong 30 April 2004	HK\$500,000	100%	100%	Hong Kong	Provision of warehousing services
On Union HK 安聯管理有限公司	Hong Kong 8 December 2003	HK\$10,000	100%	100%	PRC	Properties holding
On Time International Logistics Private Limited	India 12 January 2010	INR33,146,690	100%	100%	India	Provision of freight forwarding service
PT. On Time Express	Indonesia 22 February 2000	US\$200,000	95%	95%	Indonesia	Provision of freight forwarding service
On Time Worldwide Logistics Limited	Japan 28 November 2011	JPY20,000,000	100%	100%	Japan	Provision of forwarding brokerage services
On Time Worldwide Logistics Ltd.	Korea 20 January 2006	KRW300,000,000	51%	51%	Korea	Provision of freight forwarding services
City Net Global Cargo Sdn. Bhd.	Malaysia 2 April 2012	RM100	100%	100%	Malaysia	Inactive
On Time International Logistics Sdn. Bhd. ("OT Int'l Malaysia")	Malaysia 4 December 2002	RM230,000	60% (note 2)	60%	Malaysia	Inactive
On Time Worldwide Logistics Sdn. Bhd.	Malaysia 25 November 2004	RM1,500,000	100%	100%	Malaysia	Provision of freight forwarding services
先達國際貨運(上海)有限公司® OT China*	PRC 10 October 2004	RMB12,000,000	100%	100%	PRC	Provision of freight forwarding services
深圳前海易達跨境電子商務有限公司® eTotal Solution Co. Ltd.* ("eTotal China")	PRC 26 July 2016	–	100% (note 3)	N/A	PRC	Provision of freight forwarding services
深圳市前海海品匯電子商務有限公司® Holicbuy Company Limited* ("Holicbuy China")	PRC 19 August 2016	–	100% (note 4)	N/A	PRC	Inactive
On Time Worldwide Logistics Pte. Ltd. ("OT Singapore")	Singapore 22 June 2006	SGD110,000	100% (note 5)	70%	Singapore	Provision of freight forwarding services

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Place of operation	Principal activities
			2016	2015		
OTWL – On Time Worldwide Logistics Ltd. 先達環球物流有限公司	Taiwan 8 December 2005	TWD7,500,000	100%	100%	Taiwan	Provision of freight forwarding services
On-Time Worldwide Logistics Limited (“OT Thailand”)	Thailand 4 January 2006	THB10,000,000	82.5% (note 6)	82.5% (note 6)	Thailand	Agent for provision of freight forwarding services
OTX Logistics Holland	The Netherlands 28 May 1998	EUR86,300	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Solutions B.V. (“OTX Solutions Holland”)	The Netherlands 19 April 2006	EUR18,000	45% (note 7)	45% (note 7)	The Netherlands	Provision of freight forwarding services
Westpoort Recon B.V.	The Netherlands 17 December 1993	EUR18,151	75%	75%	The Netherlands	Provision of freight forwarding services
OTX Logistics Inc.	USA 1 October 2011	US\$2,000,000	100%	100%	USA	Provision of freight forwarding services
On Time Worldwide Logistics DWC-LLC	United Arab Emirates 25 April 2012	AED300,000	100%	100%	Dubai	Provision of freight forwarding services
On Time Worldwide Logistics (Vietnam) Co., Ltd. (“OT Vietnam”)	Vietnam 22 December 2005	US\$80,000	100% (note 8)	100% (note 8)	Vietnam	Provision of freight forwarding services

\* The English name is translated for identification purpose only.

@ The company is a wholly-owned foreign enterprise established in the PRC.

*Notes:*

1. Champion kind, Mega Glory and Mega Wise have submitted an application for strike off. As of the date these consolidated financial statements were authorised for issuance, the strike off application has not been completed.
2. OT Int'l Malaysia has submitted an application for strike off. As of the date these consolidated financial statements were authorised for issuance, the strike off application has not been completed.
3. eTotal China was incorporated in the PRC as a limited company on 26 July 2016.
4. Holicbuy China was incorporated in the PRC as a limited company on 19 August 2016.
5. On 27 October 2016, the Group acquired additional 33,000 issued shares, from an independent third party, representing 30% of the entire issued share capital in OT Singapore at a consideration of SGD350,000 (equivalent to HK\$1,953,000). The Group owned 100% equity interest after additional shares acquired.
6. 33.5% of the equity interest in OT Thailand is held by a third party on behalf of the Group through loan assignment, share pledge agreement, letter of undertaking and proxy entered by the third party and the Group.

7. OTX Solutions Holland was a wholly-owned subsidiary of OTX Logistics Holland as at 31 December 2011. In 2012, OTX Logistics Holland disposed of 40% interest in OTX Solutions Holland. Following the disposal, OTX Solutions Holland is owned as to 45% by the Group.
8. 49% of the equity interest in OT Vietnam is held by a third party on behalf of the Group through loan agreement, charter capital mortgage agreement, letter of undertaking and proxy entered by the third party and the Group.
9. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
10. None of the subsidiaries had issued any debt securities at the end of the year, or at any time during the year.

### 3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2017

The following financial information is extracted from the interim report of the Company for the six months ended 30 June 2017:

#### 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	2016
	Notes	HK\$'000	HK\$'000
Revenue	3	1,560,775	1,253,881
Cost of sales		(1,308,577)	(1,021,973)
Gross profit		252,198	231,908
Other income		4,481	3,348
Administrative expenses		(228,322)	(225,100)
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		(2,267)	(1,605)
Profit before tax		29,556	2,908
Income tax expenses	4	(8,864)	(2,876)
<b>Profit for the period</b>	5	<b>20,692</b>	<b>32</b>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		19,609	(1,194)
Non-controlling interests		1,083	1,226
		<b>20,692</b>	<b>32</b>
		HK cents	HK cents
Earnings (loss) per share	6		
Basic		4.74	(0.29)
Diluted		4.73	(0.29)

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<u>20,692</u>	<u>32</u>
<b>Other comprehensive income (expense), net of income tax</b>		
<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	<u>4,162</u>	<u>(543)</u>
<b>Other comprehensive income (expense) for the period</b>	<u>5,246</u>	<u>(662)</u>
<b>Total comprehensive income (expense) for the period</b>	<u><u>25,938</u></u>	<u><u>(630)</u></u>
<b>Total comprehensive income (expense) for the period attributable to:</b>		
Owners of the Company	22,597	(1,701)
Non-controlling interests	<u>3,341</u>	<u>1,071</u>
	<u><u>25,938</u></u>	<u><u>(630)</u></u>

## Condensed Consolidated Statement of Financial Position at 30 June 2017

		(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
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>
<b>Current assets</b>			
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		<u>286,402</u>	<u>211,207</u>
		<u>939,707</u>	<u>830,996</u>

		(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
	<i>Notes</i>		
<b>Current liabilities</b>			
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
		<u>528,526</u>	<u>461,344</u>
<b>Net current assets</b>		<u>411,181</u>	<u>369,652</u>
<b>Total assets less current liabilities</b>		<u>507,071</u>	<u>478,885</u>
<b>Non-current liabilities</b>			
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
		<u>17,592</u>	<u>16,245</u>
		<u>489,479</u>	<u>462,640</u>
<b>Capital and reserves</b>			
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
<b>Total equity</b>		<u>489,479</u>	<u>462,640</u>



### Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2017

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

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Special reserve	Share options reserve	Other reserve	Translation reserve	Statutory reserve	Property revaluation reserve	Investment revaluation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note a)	(Note b)		(Note c)		(Note d)						
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	-	-	(596)	-	-	-	-	-	-	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

### 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 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**

	<i>Notes</i>	<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH FROM OPERATING ACTIVITIES		<u>79,194</u>	<u>11,807</u>
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		<u>(66)</u>	<u>(3,889)</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES		<u>7,990</u>	<u>(3,549)</u>

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
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.

## 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.

## a. Segment revenue and results

	(Unaudited) Segment revenue Six months ended 30 June		(Unaudited) Segment results 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	<u>1,560,775</u>	<u>1,253,881</u>	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			<u>(2,267)</u>	<u>(1,605)</u>
Profit before tax			<u>29,556</u>	<u>2,908</u>

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:

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	–
	<u>1,560,775</u>	<u>1,253,881</u>

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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	–
	<u>89,065</u>	<u>87,596</u>

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

## 4. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	HK\$'000	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	672	753
	<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	(68)	109
	<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>

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.



## 5. PROFIT FOR THE PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
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	(3,034)	2,108
	<u>          </u>	<u>          </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
	HK\$'000	HK\$'000
<b>Earnings (loss)</b>		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	19,609	(1,194)
	<u>          </u>	<u>          </u>

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	'000	'000
<b>Number of shares</b>		
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	–
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	414,498	412,895
	<u>          </u>	<u>          </u>

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	2016
	HK\$'000	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).

## 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.

**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
	<u>504,343</u>	<u>496,150</u>

On 29 August 2016, Mr. Haenisch, an executive Director, executed a personal guarantee and security and collateral agreement (whereby certain properties owned by him were specified as collaterals) in favour of the Company to guarantee trade receivable due and owing by one of the 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
	<u>266,799</u>	<u>241,311</u>
Trade and other payables analysed as:		
– Current	398,114	309,685
– Non-current	3,233	3,021
	<u>401,347</u>	<u>312,706</u>

**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	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2016	414,566,000	41,457
Repurchase and cancellation of ordinary shares	(1,762,000)	(177)
At 31 December 2016	412,804,000	41,280
Issue of shares upon exercise of share options ( <i>note</i> )	1,466,000	147
At 30 June 2017	414,270,000	41,427

*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.

## 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).

	(Unaudited)	(Audited)	Fair value hierarchy	Valuation techniques and key inputs
	Fair value as at 30 June 2017 HK\$	Fair value as at 31 December 2016 HK\$		
Financial assets				
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.

## 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
		HK\$'000	HK\$'000
(i)	<b>Associates</b>		
	– 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)	<b>Joint ventures</b>		
	– Freight income received	19,309	7,633
	– Freight charge paid	1,434	961
(iii)	<b>Related companies with common directors</b>		
	First Choice International Limited		
	– Rental expenses	380	570
	On Good Development Limited		
	– Rental expenses	917	917

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

		(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
	<i>Notes</i>		
(i)	<b>Associates</b>		
	– 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
		<u>5,122</u>	<u>11,181</u>
(ii)	<b>Joint ventures</b>		
	– Trade receivables	<i>d</i> 15,473	14,052
	– Other receivables	<i>c</i> 1,119	550
		<u>15,473</u>	<u>14,602</u>
(iii)	<b>Related Companies</b>		
	Other receivables		
	– On Good Development Limited	<i>c</i> 139	4
	– First Choice International Limited	<i>c</i> –	2
		<u>139</u>	<u>6</u>

*Notes:*

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

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

- (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
	<u>1,110</u>	<u>194</u>

- (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
	<u>15,473</u>	<u>14,052</u>

#### 17. PLEDGED ASSETS

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

	(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
	<u>110,638</u>	<u>131,357</u>

#### 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	(100,000)
Outstanding as at 31 December 2016	2,782,000
Exercised during the period	(1,466,000)
Outstanding as at 30 June 2017	1,316,000

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.

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 in Hong Kong.



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

	<i>HK\$'000</i>
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	(97)
	<hr/>
Total	2,239
Goodwill arising on acquisition	761
	<hr/>
Consideration	3,000
	<hr/> <hr/>

Consideration transferred:

	<i>HK\$'000</i>
Cash	2,200
Contingent consideration payable ( <i>Note</i> )	800
	<hr/>
Total	3,000
	<hr/> <hr/>

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

*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.

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.

**4. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the posting of this Composite Document, the Group had bank borrowings of HK\$129,724,128 which is guaranteed by On Time Logistics Holdings Limited and secured by trade receivables, held for trading investments and pledged bank deposits of the Group and unguaranteed and unsecured finance leases of HK\$445,379.

Save as aforesaid, the Group did not have any outstanding indebtedness in respect of any mortgages, pledge, debt securities, loan capital, charges and overdrafts, or other similar indebtedness, or guarantees, hire purchase commitments, acceptance liabilities or acceptance credits or other material contingent liabilities as at the close of business on 30 September 2017.

The Directors have confirmed that there has not been any material change in the indebtedness or the contingent liabilities of the Group since 30 September 2017.

**5. MATERIAL CHANGE**

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

**1. RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offers, the Offeror and the Company.

The sole director of the Offeror and directors of YTO Express jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to YTO Express, the Offeror or any of their associates or any parties acting in concert with any of them (excluding Mr. Lam and Mr. Haenisch)) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. SHARE CAPITAL OF THE COMPANY****(a) Authorised and issued share capital**

As at the Latest Practicable Date, the authorised and issued share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each.

412,804,000 Shares are in issue as at 31 December 2016, the date on which the latest audited consolidated financial statements of the Company were made up. Since 31 December 2016, 1,466,000 new Shares have been issued pursuant to exercise of Options. As at the Latest Practicable Date, 414,270,000 Shares had been issued and were fully paid or credited as fully paid. All the existing issued Shares are rank pari passu in all respects including all rights as to dividends, voting and capital.

**(b) Share Option Scheme**

As at the Latest Practicable Date, the Company had 1,316,000 outstanding Options under the Share Option Scheme to subscribe for up to 1,316,000 Shares.

As at the Latest Practicable Date, save for the 414,270,000 Shares and 1,316,000 Options, the Company did not have in issue any outstanding options, warrants, derivatives or securities that carried a right to subscribe for or which were convertible into Shares.

### 3. DISCLOSURE OF INTERESTS

#### (a) Interest of the Offeror, its director and parties acting in concert with it, in the Company

As at the Latest Practicable Date, the Offeror, its director and parties acting in concert with it (including Mr. Lam and Mr. Haenisch) were interested in a total of 297,100,000 shares, representing approximately 71.72% of the issued share capital of the Company as at the Latest Practicable Date.

#### (b) Interests of the Directors and the substantial shareholders in the Company

##### *Interest of Directors*

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or which were required to be entered in the register required to be kept under section 352 of the SFO or which were required to be disclosed under the Takeovers Code were as follows:

Name of Director	The company in which interest is held	Capacity	Number of Shares held	Number of underlying Shares pursuant to Options	Aggregate interests	Approximate percentage of shareholding in the company in which interest is held
Mr. Lam	The Company	Beneficial owner	41,280,000	-	41,280,000	9.96%
Ms. Cheung Ching Wa, Camy	The Company	Interest of a controlled corporation	3,000,000 (Note 1)			
	The Company	Beneficial owner	1,084,000		4,084,000	0.99%
Ms. Wong Pui Wah	The Company	Beneficial owner	400,000	198,000 (Note 2)	598,000	0.14%
Mr. Dennis Ronald de Wit	OTX Logistics B.V (associated corporation)	Interest of a controlled corporation (Note 3)	21,575		21,575	25%

##### *Notes:*

- (1) These Shares are held by Grand Splendour Holdings Limited (廣輝控股有限公司), which is wholly owned by Ms. Cheung Ching Wa, Camy. By virtue of the SFO, Ms. Cheung Ching Wa, Camy is deemed to be interested in the Shares held by Grand Splendour Holdings Limited.
- (2) These Shares represent the underlying interest in Shares pursuant to the Options granted to the Directors by the Company under the Share Option Scheme.

- (3) 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..

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares, debentures, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange or which were required to be disclosed under the Takeovers Code.

*Interest of the substantial Shareholders*

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity/nature of interest	Number of Shares involved	Approximate percentage of shareholding in the Company
YTO Express	Interest of controlled corporation	255,820,000 (Note 2)	61.75%
Yuantong Jiaolong	Interest of controlled corporation	255,820,000 (Note 2)	61.75%
Mr. Yu Huijiao	Interest of controlled corporation and interest of spouse	255,820,000 (Note 3)	61.75%

Name of Shareholder	Capacity/nature of interest	Number of Shares involved	Approximate percentage of shareholding in the Company
Ms. Zhang Xiaojuan	Interest of controlled corporation and interest of spouse	255,820,000 (Note 3)	61.75%
The Offeror	Beneficial owner	255,820,000 (Note 2)	61.75%
Rays Capital Partners Limited	Investment manager	22,982,000 (Note 4)	5.55%
Mr. Ruan David Ching-chi	Interest of controlled corporations	22,982,000 (Note 4)	5.55%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	21,502,000 (Note 4)	5.19%

*Notes:*

1. Interest in Shares stated above represent long positions.
2. 255,820,000 Shares are held by the Offeror as a beneficial owner. The entire share capital of the Offeror is indirectly wholly-owned by YTO Express, which is in turn held as to 51.18% by Yuantong Jiaolong.
3. Yuantong Jiaolong is held as to 51% by Mr. Yu Huijiao and 49% by his spouse, Ms. Zhang Xiaojuan. Mr. Yu Huijiao is deemed, or taken to be, interested in all the Shares in which Ms. Zhang Xiaojuan is interested for the purposes of the SFO. Ms. Zhang Xiaojuan is deemed, or taken to be, interested in all the Shares in which Mr. Yu Huijiao is interested for the purposes of the SFO.
4. Mr. Ruan David Ching-chi is deemed to be interested in these Shares through their controlled corporations, namely, Asian Equity Special Opportunities Portfolio Master Fund Limited and Rays Capital Partners Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## (c) Other disclosures

During the Relevant Period, save as disclosed below, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company:

Date of transaction	Name	Nature of dealings	Number of Shares or Number of securities under the Option	Price per Share or Exercise Price
6 October 2017	Cheung Ching Wa Camy	Sale of Shares	300,000 Shares	\$4.0500 per Share
4 October 2017	Cheung Ching Wa Camy	Sale of Shares	300,000 Shares	\$4.0500 per Share
3 October 2017	Cheung Ching Wa Camy	Sale of Shares	668,000 Shares	\$4.0200 per Share
3 October 2017	Cheung Ching Wa Camy	Sale of Shares	132,000 Shares	\$4.0300 per Share
3 October 2017	Cheung Ching Wa Camy	Sale of Shares	14,000 Shares	\$4.0500 per Share
15 May 2017	Wong Pui Wah	Exercising of Option	400,000 Options	\$1.65 per Share

As at the Latest Practicable Date:

- (A) Save and except the Sale Shares and the Irrevocable Undertaking, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any parties acting in concert with it or its associate (as defined under the Takeovers Code), or had dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.
- (B) None of the Offeror and any parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.



- (C) No Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code.
- (D) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (E) No Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options, and derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.
- (F) The intentions of the Directors regarding the Offers in respect of their own beneficial holdings are as follows: (i) Ms. Cheung Ching Wa Camy has indicated her intention to accept the Share Offer in respect of the 4,084,000 Shares held by her, representing approximately 0.99% of the total issued Shares as at the Latest Practicable Date, but would monitor the market price of the Shares during the Offer Period before deciding whether to accept or reject the Share Offer; (ii) Ms. Wong Pui Wah has indicated her intention to accept the Share Offer in respect of the 400,000 Shares held by her, representing approximately 0.1% of the total issued Shares as at the Latest Practicable Date; and accept the Option Offer in respect of 198,000 Options exercisable into 198,000 Shares held by her, representing approximately 0.05% of the total issued Shares as at the Latest Practicable Date, but would monitor the market price of the Shares during the Offer Period before deciding whether to accept or reject the Share Offer or the Option Offer; (iii) pursuant to the Irrevocable Undertaking, Mr. Lam has indicated his intention to reject the Share Offer in respect of the 41,280,000 Shares held by Lam Investco; representing approximately 9.96% of the total issued Shares as at the Latest Practicable Date; and (iv) save as disclosed above, no other Directors hold any Shares.
- (G) Neither the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.

- (H) Save and except the Sale Shares and the Lam Remaining Shares, none of the Offeror, its director and parties acting with concert with the Offeror (including Mr. Haenisch and Mr. Lam) owns, has control, or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or derivatives of the Company, and had not dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.
- (I) The sole director of the Offeror does not have any interest in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities, and had not dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.
- (J) Save and except the Lam Sale Shares and the Lam Remaining Shares, the persons who, prior to posting of this Composite Document, have irrevocably committed themselves to accept or reject the offer (i.e. Mr. Lam) did not have any interest in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities, and had not dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.

**(d) Interests of the Company and the Directors in the Offeror**

As at the Latest Practicable Date, none of the Company and the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights of the Offeror, and had not dealt for value in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights of the Offeror during the Relevant Period.

**4. ARRANGEMENTS AFFECTING OR RELATING TO THE DIRECTORS**

As at the Latest Practicable Date:

- (a) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offers;
- (b) Save for the SPA, the Irrevocable Undertaking and the arrangement of the resignation as set out in the paragraph headed “proposed change of Board composition” in the “Letter from Haitong International Securities” of this Composite Document, no agreement or arrangement existed between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;

- (c) Save for the SPA, the Irrevocable Undertaking and the arrangement of the resignation as set out in the paragraph headed “proposed change of Board composition” in the “Letter from Haitong International Securities” of this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on the one hand, and any Director, recent Director, Shareholder or recent Shareholder on the other hand, having any connection with or dependent upon the Share Offer; and
- (d) save and except the SPA (the transaction contemplated thereunder was completed on 3 November 2017), there was no material contract entered into by the Offeror in which any Director had a material personal interest.

## 5. DIRECTORS’ SERVICE CONTRACTS

Mr. Lam entered into a service contract with the Company dated 21 June 2014 pursuant to which he was appointed as an executive Director for a term of three years commencing from 21 June 2014 to 21 June 2017. The service contract dated 2 November 2017 (as disclosed below) has replaced Mr. Lam’s previous contract dated 21 June 2014.

Mr. Haenisch entered into a service contract with the Company dated 21 June 2014 pursuant to which he was appointed as an executive Director for a term of three years commencing from 21 June 2014 to 21 June 2017. The service contract dated 2 November 2017 (as disclosed below) has replaced Mr. Haenisch’s previous contract dated 21 June 2014, pursuant to which he agreed to serve as managing director of USA and South East Asia, freight forwarding business and trade lane of the Company.

Ms. Cheung Ching Wa, Camy entered into a service contract with the Company dated 21 June 2014 pursuant to which she was appointed as an executive Director for a term of three years commencing from 21 June 2014 to 21 June 2017. The service contract dated 2 November 2017 (as disclosed below) has replaced Ms. Cheung’s previous contract dated 21 June 2014, pursuant to which she agreed to serve as managing director of China and Hong Kong, freight forwarding, ecommerce transportation and contract logistics of the Company.

Ms. Wong Pui Wah entered into a service contract with the Company dated 21 June 2014 pursuant to which she was appointed as an executive Director for a term of three years commencing from 21 June 2014 to 21 June 2017. The service contract dated 2 November 2017 (as disclosed below) has replaced Ms. Wong’s previous contract dated 21 June 2014, pursuant to which she agreed to serve as the chief financial officer and company secretary of the Company.

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors had a service contract (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or associated companies which (i) was entered into or amended within six months before the commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period:

Name of Director	Term of the contract	Amount of remuneration
Mr. Lam	Initial fixed term of three years from the close of the Offers and will continue thereafter until terminated by giving not less than three months' notice in writing served by either party expiring at the end of the initial term	(i) Fixed salary of HK\$21,000 per month; (ii) a discretionary management bonus in respect of each financial year in an amount to be determined by the Board provided the total amount of bonuses payable to Mr. Lam, Mr. Haenisch, Ms. Cheung Ching Wa Camy and Ms. Wong Pui Wah shall not exceed 15% of the combined or, as the case may be, consolidated audited net profit of the Group (after taxation and minority interests and the payment of such bonuses but before extraordinary or exceptional items) for that financial year; and (iii) upon completion of every 12-month period, be entitled to a guaranteed year-end bonus for a fixed sum equivalent to one-month salary or a ratable proportion (apportioned on a time basis) of such bonus if a 12-month period was not completed in full; and (iv) be entitled to participate in the subscription of share options for Shares under any share option scheme from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme

Name of Director	Term of the contract	Amount of remuneration
Mr. Haenisch	Initial fixed term of three years from the close of the Offers and will continue thereafter until terminated by giving not less than three months' notice in writing served by either party expiring at the end of the initial term	(i) Fixed salary of US\$12,500 per month; (ii) a discretionary management bonus in respect of each financial year in an amount to be determined by the Board provided the total amount of bonuses payable to Mr. Lam, Mr. Haenisch, Ms. Cheung Ching Wa Camy and Ms. Wong Pui Wah shall not exceed 15% of the combined or, as the case may be, consolidated audited net profit of the Group (after taxation and minority interests and the payment of such bonuses but before extraordinary or exceptional items) for that financial year; and (iii) upon completion of every 12-month period, be entitled to a guaranteed year-end bonus for a fixed sum equivalent to one-month salary or a ratable proportion (apportioned on a time basis) of such bonus if a 12-month period was not completed in full; and (iv) be entitled to participate in the subscription of share options for Shares under any share option scheme from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme

Name of Director	Term of the contract	Amount of remuneration
Ms. Cheung Ching Wa Camy	Initial fixed term of three years from the close of the Offers and will continue thereafter until terminated by giving not less than three months' notice in writing served by either party expiring at the end of the initial term	(i) Fixed salary of HK\$85,722 per month; (ii) a discretionary management bonus in respect of each financial year in an amount to be determined by the Board provided the total amount of bonuses payable to Mr. Lam, Mr. Haenisch, Ms. Cheung Ching Wa Camy and Ms. Wong Pui Wah shall not exceed 15% of the combined or, as the case may be, consolidated audited net profit of the Group (after taxation and minority interests and the payment of such bonuses but before extraordinary or exceptional items) for that financial year; and (iii) upon completion of every 12-month period, be entitled to a guaranteed year-end bonus for a fixed sum equivalent to one-month salary or a ratable proportion (apportioned on a time basis) of such bonus if a 12-month period was not completed in full; and (iv) be entitled to participate in the subscription of share options for Shares under any share option scheme from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme

Name of Director	Term of the contract	Amount of remuneration
Ms. Wong Pui Wah	Initial fixed term of three years from the close of the Offers and will continue thereafter until terminated by giving not less than three months' notice in writing served by either party expiring at the end of the initial term	(i) Fixed salary of HK\$79,088 per month; (ii) a discretionary management bonus in respect of each financial year in an amount to be determined by the Board provided the total amount of bonuses payable to Mr. Lam, Mr. Haenisch, Ms. Cheung Ching Wa, Camy and Ms. Wong Pui Wah shall not exceed 15% of the combined or, as the case may be, consolidated audited net profit of the Group (after taxation and minority interests and the payment of such bonuses but before extraordinary or exceptional items) for that financial year; and (iii) upon completion of every 12-month period, be entitled to a guaranteed year-end bonus for a fixed sum equivalent to one-month salary or a ratable proportion (apportioned on a time basis) of such bonus if a 12-month period was not completed in full; and (iv) be entitled to participate in the subscription of share options for Shares under any share option scheme from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme

**6. MARKET PRICES**

The table below shows the closing price per Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Day; (c) the last trading day immediately preceding the date of the Rule 3.7 Announcement; and (d) the last trading day of each of the calendar months during the Relevant Period.

<b>Date</b>	<b>Closing price of Shares HK\$</b>
29 January 2016	0.93
29 February 2016	1.01
31 March 2016	1.23
29 April 2016	1.35
31 May 2016	1.41
30 June 2016	1.19
26 July 2016 (the last trading day immediately preceding the date of the Rule 3.7 Announcement)	1.30
29 July 2016	1.70
31 August 2016	1.69
30 September 2016	1.72
31 October 2016	2.17
30 November 2016	2.98
30 December 2016	2.96
27 January 2017	2.75
28 February 2017	2.86
31 March 2017	3.46
28 April 2017	3.76
8 May 2017 (the Last Trading Day)	3.83
31 May 2017	3.67
30 June 2017	3.56
31 July 2017	3.85
31 August 2017	3.92
29 September 2017	4.05
31 October 2017	4.12
7 November 2017 (the Latest Practicable Date)	4.11

**7. HIGHEST AND LOWEST SHARE PRICE**

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$4.20 per Share on 12, 20 and 23 October 2017, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$0.86 per Share on 12 February 2016.



## 8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by members of the Group within the two years preceding the commencement of the Offer Period and up to the Latest Practicable Date and were or might be material:

1. the agreement for the sale and purchase of the shares of Best Loader Logistics Company Limited at the consideration of HK\$3 million dated 5 May 2017 and entered into between On Time BVI, as the purchaser, Air Partner Logistics Company Limited as the vendor and Ms. Chan Yi Lam as the guarantor;
2. the agreement for the sale and purchase of the shares of Best Loader Logistics (Shanghai) Company Limited\* (翼尊國際貨運代理(上海)有限公司) at the consideration of HK\$27 million dated 5 May 2017 and entered into between On Line Service Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, Air Partner Logistics Company Limited as the vendor and Ms. Chan Yi Lam as the guarantor;
3. the agreement dated 30 December 2016 and entered into between OTX Logistics B.V., an indirect non-wholly owned subsidiary of the Company, D.R. de Wit Beheer B.V. and Mr. Dennis Ronald de Wit for provision of management services for the term commencing from 1 January 2017 and expiring on 31 December 2019 with the annual transaction amount payable by the Group not exceeding EUR363,000, EUR399,300 and EUR440,000 for the three years ending 31 December 2019;
4. the agreement dated 30 December 2016 and entered into between On Time BVI and its subsidiaries and associated companies ("**OT BVI Members**") excluding OTX Logistics B.V. and its subsidiaries and associated companies ("**OTX Logistics Holland Group**") where OT BVI Members have appointed OTX Logistics Holland Group as their agents in the Netherlands and OTX Logistics Holland Group has appointed OT BVI Members as their agents for the rest of the world (other than Netherlands) for the promotion of transportation and logistics business for the term commencing from 1 January 2017 and expiring on 31 December 2019 with the annual amount of profits from operations attributable to the transactions under such agreement not

exceeding (i) HK\$6,618,000, HK\$7,280,000 and HK\$8,008,000 by OT BVI Members to OT Logistics Holland Group; and (ii) HK\$657,000, HK\$723,000 and HK\$800,000 by OTX Logistics Holland Group to OT BVI Members for each of the three years ending 31 December 2019, respectively.

5. the sale and purchase agreement dated 29 March 2017 and entered into between 先達國際貨運(上海)有限公司 (On Time Express Co., Ltd.\*), an indirect wholly-owned subsidiary of the Company, as vendor, and Liu Kan, an Independent Third Party, as purchaser, in relation to the disposal of shares of 北京明邦物流股份有限公司 (DNJ Logistics Co., Ltd.\*) at a consideration of RMB14,560,000;
6. the agreement for the disposal of the entire capital contribution of OTWL-On Time Worldwide Logistics Ltd. (先達環球物流有限公司), at the consideration of HK\$15,477,072 dated 20 October 2017 and entered into between On Time BVI, as the vendor, Great Access Incorporation Limited (行通有限公司) as the purchaser and Mr. Lee Sai Lun as the guarantor; and
7. the agreement for the sale and purchase of 3% of the shares of On Time Worldwide Logistics Ltd., at the consideration of HK\$841,728 dated 1 November 2017 and entered into between On Time BVI, as the vendor, and Ms. He Xiaoli as the purchaser.

#### 10. EXPERT AND CONSENTS

The following are the names and qualifications of each of the experts who has been named in this Composite Document or who has given opinion or advice, which is contained in or referred to in this Composite Document:

Name	Qualification
Haitong International Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Haitong International Securities	A corporation licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO
Investec Capital Asia Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Each of Haitong International Capital, Haitong International Securities and Investec has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the opinion, letter or report (as the case may be) and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, Haitong International Capital, Haitong International Securities and Investec did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which had been, since 31 December 2016, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 11. MISCELLANEOUS

The registered office of the Company is at Cricket Square Hutchins Drive Po Box 2681 Grand Cayman KY 1-1111 Cayman Islands.

The Offeror is a company incorporated under the laws of Hong Kong. It is an indirect wholly-owned subsidiary of YTO Express, which is in turn held as to 51.18% by Yuantong Jiaolong. As at the Latest Practicable Date, the sole director of the Offeror is Mr. Yu Zhixian, and the directors of YTO Express are Mr. Yu Huijiao, Ms. Zhang Xiaojuan, Mr. Yu Zhixian, Mr. Zhang Yizhong, Mr. Pan Shuimiao, Ms. Tong Wenhong, Mr. Yuan Yaohui, Mr. Chen Guogang and Mr. He Weiping. As at the Latest Practicable Date, the directors of Yuantong Jiaolong are Mr. Yu Huijiao, Ms. Zhang Xiaojuan and Mr. Zhang Yizhong. The registered office of YTO Express is at No. 18, Lane 3029, Huaxu Road, Qingpu District, Shanghai, the PRC. The registered office of the Offeror is at Room D, 10/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong. The registered office of Yuantong Jiaolong is at No. 28, Lane 3029, Huaxu Road, Qingpu District, Shanghai, the PRC.

Haitong International Securities is making the Offers for and on behalf of the Offeror. The address of Haitong International Securities is at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The registered office of Independent Financial Adviser is at Room 3609, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited whose address is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The principal members of the Offeror's concert group include (i) the director of the Offeror (namely Mr. Yu Zhixian); (ii) Yuan Jun (the company holding 100% shares in the Offeror); (iii) YTO Express (the company holding 100% equity interest in the share capital of Yuan Jun); (iv) Yuantong Jiaolong (the company directly holding 51.18% interest in YTO Express); (v) Mr. Lam (a party presumed to be acting in concert with the Offeror under class (9) of the definition of "acting in concert" in the Takeovers Code); (vi) Mr. Haenisch (a party presumed to be acting in concert with the Offeror under class (9) of the definition of "acting in concert" in the Takeovers Code), and (vii) Mr. Lee Sai Lun.

As at the Latest Practicable Date, the Offeror had no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Share Offer to any other persons.

Save and except for the SPA and the Irrevocable Undertaking, as at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror or any person acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.

In case of inconsistency, the English text of this Composite Document and the Form(s) of Acceptance shall prevail over the Chinese texts.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (except public holidays) at the office of the Company at Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong; (ii) on the website of the Company at [www.ontime-express.com](http://www.ontime-express.com); and (iii) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk), from the date of despatch until the end of the Offer Period:

- (1) the memorandum and articles of association of the Offeror;
- (2) the memorandum and articles of association of the Company;
- (3) the annual reports of the Company for the two financial years ended 31 December 2015 and 2016;
- (4) the interim report of the Company for the six months ended 30 June 2017;
- (5) the letter from Haitong International Securities, the text of which is set out on pages 8 to 18 of this Composite Document;
- (6) the letter from the Board, the text of which is set out on pages 19 to 25 of this Composite Document;
- (7) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this Composite Document;
- (8) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 59 of this Composite Document;
- (9) the material contracts referred to in the section headed "Material Contract" in this appendix;
- (10) the written consents as referred to in the section headed "Experts and Consents" in this appendix;
- (11) the SPA;
- (12) the facility letter entered into between the Offeror and China Merchants Bank Company Limited, Hong Kong Branch in relation to the financing of the Offers; and
- (13) the Directors' service contracts referred to in the section headed "Directors' service contracts" in this appendix.

\* For identification purpose only