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## **ON TIME LOGISTICS HOLDINGS LIMITED**

**先達國際物流控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6123)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

#### **FINANCIAL HIGHLIGHTS**

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

- **the Group's revenue amounted to about HK\$1,561 million, representing an increase of about 24.5% as compared to that of the corresponding period of 2016 (1H2016: about HK\$1,254 million);**
- **the Group recorded a profit attributable to owners of the Company of about HK\$19.6 million (1H2016: loss of about HK\$1.2 million); and**
- **air freight business recorded an increase of about 4.5% in segment results as compared to that of the corresponding period of 2016, to about HK\$85 million (1H2016: about HK\$81 million).**

The board (the “**Board**”) of directors (the “**Directors**”) of On Time Logistics Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2017 (the “**Reporting Period**”). The relevant financial figures for the six months ended 30 June 2016 (the “**1H2016**”) or other dates/periods are also set out in this announcement for comparative purposes.

The interim results of the Group for the Reporting Period have been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

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

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

*For the six months ended 30 June 2017*

|   | (Unaudited)              |                 |
|---|--------------------------|-----------------|
|   | Six months ended 30 June |                 |
|   | 2017                     | 2016            |
|   | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| <b>Profit for the period</b>  | 20,692                   | 32              |
| <b>Other comprehensive income (expense),<br/>net of income tax</b>              |                          |                 |
| <i>Items that will not be reclassified to profit or loss:</i>                   |                          |                 |
| Revaluation increase (decrease) on leasehold land and<br>buildings              | 783                      | (285)           |
| Deferred tax arising on revaluation of leasehold land and<br>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<br>investment                | –                        | 581             |
| Share of a reserve of associates  | 14                       | 3               |
| Share of a reserve of joint ventures  | 434                      | 42              |
| Exchange difference arising from foreign operations                             | 4,162                    | (543)           |
| <b>Other comprehensive income (expense) for the period</b>                      | 5,246                    | (662)           |
| <b>Total comprehensive income (expense) for the period</b>                      | 25,938                   | (630)           |
| <b>Total comprehensive income (expense) for the period<br/>attributable to:</b> |                          |                 |
| Owners of the Company   | 22,597                   | (1,701)         |
| Non-controlling interests   | 3,341                    | 1,071           |
|   | 25,938                   | (630)           |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

|   |              | (Unaudited)<br>30 June<br>2017 | (Audited)<br>31 December<br>2016 |
|---|--------------|--------------------------------|----------------------------------|
|   | <i>NOTES</i> | <i>HK\$'000</i>                | <i>HK\$'000</i>                  |
| <b>Non-current assets</b>                   |              |                                |                                  |
| Investment properties                       |              | 7,457                          | 7,249                            |
| Property, plant and equipment               |              | 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                              |
|   |              | 95,890                         | 109,233                          |
| <b>Current assets</b>                       |              |                                |                                  |
| Trade receivables                           | 7            | 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             |              | 16,592                         | 14,602                           |
| Amounts due from associates                 |              | 10,104                         | 10,523                           |
| Amounts due from related companies          |              | 139                            | 6                                |
| Loan to a joint venture                     |              | –                              | 3,414                            |
| Loan to an associate                        |              | 500                            | 500                              |
| Prepaid tax                                 |              | 2,121                          | 3,431                            |
| Pledged bank deposits                       |              | 11,122                         | 10,747                           |
| Bank balances and cash                      |              | 286,402                        | 211,207                          |
|   |              | 939,707                        | 830,996                          |

|   |              | <b>(Unaudited)</b><br><b>30 June</b><br><b>2017</b><br><i>HK\$'000</i> | <b>(Audited)</b><br><b>31 December</b><br><b>2016</b><br><i>HK\$'000</i> |
|---|--------------|--|--|
|   | <i>NOTES</i> |  |  |
| <b>Current liabilities</b>                          |              |  |  |
| Trade and other payables                            | 8            | 398,114  | 309,685  |
| Amounts due to associates                           |              | 1,178  | 270  |
| Tax liabilities                                     |              | 4,652  | 5,491  |
| Obligations under finance leases                    |              |  |  |
| – due within one year                               |              | 326  | 498  |
| Bank borrowings                                     |              | <u>124,256</u>   | <u>145,400</u>   |
|   |              | <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                                | 8            | 3,233  | 3,021  |
| Obligations under finance leases                    |              |  |  |
| – due after one year                                |              | 178  | 294  |
| Deferred tax liabilities                            |              | <u>14,181</u>  | <u>12,930</u>  |
|   |              | <u>17,592</u>  | <u>16,245</u>  |
|   |              | <u>489,479</u>   | <u>462,640</u>   |
| <b>Capital and reserves</b>                         |              |  |  |
| Share capital                                       | 9            | 41,427   | 41,280   |
| Reserves  |              | <u>418,568</u>   | <u>393,659</u>   |
| Net assets attributable to owners<br>of the Company |              | 459,995  | 434,939  |
| Non-controlling interests                           |              | <u>29,484</u>  | <u>27,701</u>  |
| <b>Total equity</b>                                 |              | <u>489,479</u>   | <u>462,640</u>   |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

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**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the HKICPA.

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 Hong Kong Financial Reporting Standards (“**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.

## 2. SEGMENT INFORMATION

### Segment revenue and results

|  | (Unaudited)<br>Segment revenue |                  | (Unaudited)<br>Segment results |                 |
|--|--------------------------------|------------------|--------------------------------|-----------------|
|  | Six months ended               |                  | Six months ended               |                 |
|  | 30 June                        |                  | 30 June                        |                 |
|  | 2017                           | 2016             | 2017                           | 2016            |
|  | <i>HK\$'000</i>                | <i>HK\$'000</i>  | <i>HK\$'000</i>                | <i>HK\$'000</i> |
| 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                                   | <u>42,742</u>                  | <u>30,563</u>    | <u>17,026</u>                  | <u>12,662</u>   |
| 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 represents the profit earned by each segment without allocation of other income, other gains or losses, share of profit of associates, share of profit (loss) of joint ventures, unallocated corporate expenses (including depreciation, amortisation and impairment) and finance costs.

### 3. INCOME TAX EXPENSES

|  | (Unaudited)              |                 |
|--|--------------------------|-----------------|
|  | Six months ended 30 June |                 |
|  | 2017                     | 2016            |
|  | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Current tax  |                          |                 |
| – Hong Kong Profits Tax  | 2,555                    | 132             |
| – Enterprise Income Tax in the People’s Republic of China (the “ <b>PRC</b> ”) | 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             |
|  | 7,969                    | 3,268           |
| Under (over) provision in respect of prior years                               |                          |                 |
| – Enterprise Income Tax in the PRC   | 147                      | –               |
| – Other jurisdictions  | (68)                     | 109             |
|  | 79                       | 109             |
| Withholding tax on dividend received   | 488                      | 216             |
| Deferred taxation  | 328                      | (717)           |
|  | 8,864                    | 2,876           |

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.



### 3. INCOME TAX EXPENSES (CONTINUED)

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.

### 4. 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                         | <u>(3,034)</u> | <u>2,108</u> |

### 5. 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*

#### **Earnings (loss)**

Earnings (loss) for the purposes of basic and diluted earnings  
(loss) per share (profit (loss) for the period attributable  
to owners of the Company)

|               |                |
|---------------|----------------|
| <u>19,609</u> | <u>(1,194)</u> |
|---------------|----------------|

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

|   | <b>(Unaudited)</b>              |                |
|---|---------------------------------|----------------|
|   | <b>Six months ended 30 June</b> |                |
|   | <b>2017</b>                     | <b>2016</b>    |
|   | <i>'000</i>                     | <i>'000</i>    |
| <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                                   | <u>1,095</u>                    | <u>–</u>       |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | <u>414,498</u>                  | <u>412,895</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.

## 6. DIVIDEND

|   | <b>(Unaudited)</b>              |                 |
|---|---------------------------------|-----------------|
|   | <b>Six months ended 30 June</b> |                 |
|   | <b>2017</b>                     | <b>2016</b>     |
|   | <i>HK\$'000</i>                 | <i>HK\$'000</i> |
| Final dividend payable in respect of the year ended 31 December 2016 of nil (31 December 2015: HK1.3 cents) per share | <u>–</u>                        | <u>5,366</u>    |

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

## 7. 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:

|               | <b>(Unaudited)</b><br><b>30 June</b><br><b>2017</b><br><i>HK\$'000</i> | <b>(Audited)</b><br><b>31 December</b><br><b>2016</b><br><i>HK\$'000</i> |
|---------------|--|--|
| 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. Hartmut Ludwig Haenisch, an executive Director, executed a personal guarantee and security and collateral agreement (whereby certain properties owned by him were specified as collaterals) in favour of the Company to guarantee trade receivable due and owing by one of the Group's customers, which is an independent third party. As at 30 June 2017, such trade receivable amounted to HK\$9,071,003 (31 December 2016: HK\$8,212,634).

## 8. TRADE AND OTHER PAYABLES

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

|                                       | <b>(Unaudited)</b><br><b>30 June</b><br><b>2017</b><br><i>HK\$'000</i> | <b>(Audited)</b><br><b>31 December</b><br><b>2016</b><br><i>HK\$'000</i> |
|---------------------------------------|--|--|
| 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>   |

## 9. SHARE CAPITAL

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

*Note:*

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Reporting Period, the demand for logistics and freight forwarding services increased steadily due to the recovery of global economy which was in line with the improvement of export business in the PRC and global market demand, especially in the United States of America (“USA”). The Group has also caught the opportunity of the boom of cross-border small parcel delivery, which contributed to the increase in shipment volume during the Reporting Period. This has enhanced the positive financial results of the Reporting Period.

### **FINANCIAL RESULTS**

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

## SEGMENTAL ANALYSIS

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

### **Air Freight**

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

## **Ocean Freight**

The ocean freight segment contributed about 26.4% of the Group's total revenue during the Reporting Period (1H2016: about 30.7%), the percentage of which decreased due to the significant increase in revenue of air freight segment. The ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the Reporting Period, revenue of ocean freight segment increased by about 6.9% period-on-period to about HK\$411.5 million (1H2016: about HK\$385.0 million). Due to better cost control, gross profit increased to about HK\$91.8 million (1H2016: about HK\$84.1 million). Owing to the market conditions, the Group has successfully transferred related costs to its customers so as to reduce the cost burden and improve this segment's performance. During the Reporting Period, the ocean freight shipping volume handled by the Group reached about 55,006 (1H2016: about 55,399) twenty-foot equivalent unit, representing a slight decrease of about 0.7% from the corresponding period of 2016.

## **Ancillary and Contract Logistics Services**

Accounting for about 2.9% (1H2016: about 3.1%) of the Group's total revenue during the Reporting Period, the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology ("IT") platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation to cope with market conditions. Consequently, this business achieved revenue of about HK\$44.9 million (1H2016: about HK\$39.0 million) and gross profit of about HK\$23.1 million (1H2016: about HK\$20.5 million).

## **Others**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has centralized financing policies and control over all its operations which enables the Group to have a tight control of treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2017 was about HK\$411.2 million, representing an increase of about 11.2% from about HK\$369.7 million as at 31 December 2016. The current ratio of the Group slightly decreased from about 1.80 times as at 31 December 2016 to about 1.78 times as at 30 June 2017.

As at 30 June 2017, the Group's bank balances and cash amounted to about HK\$286.4 million, representing an increase of about 35.6% from about HK\$211.2 million as at 31 December 2016. For the Reporting Period, the Group had operating cash inflow of about HK\$79.2 million (1H2016: operating cash inflow of about HK\$11.8 million). As at 30 June 2017, the Group's outstanding bank borrowings amounted to about HK\$124.3 million (as at 31 December 2016: about HK\$145.4 million). The gearing ratio of the Group was about 25.4% as at 30 June 2017 (as at 31 December 2016: about 31.4%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2017 and as at 31 December 2016, the Group maintained a net cash position.

## **FOREIGN EXCHANGE RISK**

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, CAD, TWD, JPY, VND, IDR, KRW and AED among which, RMB, EUR and USD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2016. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.



## CAPITAL EXPENDITURE COMMITMENTS

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

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

## CONTINGENT LIABILITIES

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

## CHARGE ON ASSETS

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

## EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

## **PROSPECTS**

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

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

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

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

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

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

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

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

## **HUMAN RESOURCES**

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **INTERIM DIVIDEND**

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

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

Pursuant to the facility letter entered into by the Company on 29 August 2016 (the "**Facility Letter**"), a bank in Hong Kong has agreed to grant to On Time Express Limited ("**OT HK**") banking facilities in an aggregate sum of HK\$125.2 million which shall be subject to renewal by October 2017. The Facility Letter contains a condition which requires Mr. Lam, one of the controlling shareholders of the Company, to remain as the chairman of the Company and the largest single shareholder of the Company with shareholding of no less than 40% in the Company. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in an aggregate sum of about HK\$125.2 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As of the date of this announcement, OT HK is in compliance with the Facility Letter.

## **CORPORATE GOVERNANCE**

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

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

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

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

## **AUDIT COMMITTEE**

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

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

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

## **APPRECIATION**

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

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

Hong Kong, 29 August 2017

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