# 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)

Annual Report **2014**

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# CORPORATE INFORMATION

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ng Wai Hung
Mr. Poon Ka Lee, Barry
Mr. Wong See Ho

## COMPANY SECRETARY
Ms. Wong Pui Wah,
*HKICPA (non-practising), FCCA*

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

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

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

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

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

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

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 18, 1st Floor, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Hong Kong

## COMPLIANCE ADVISER
RHB OSK Capital Hong Kong Limited

## COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW
Chiu & Partners

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

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

## AUDITOR
Deloitte Touche Tohmatsu

## COMPANY'S WEBSITE
www.ontime-express.com

## STOCK CODE
6123

# CHAIRMAN'S STATEMENT

## INTRODUCTION – INITIAL PUBLIC OFFERING

The shares (the "Shares") of On Time Logistics Holdings Limited (the "Company") were successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 July 2014 (the "Listing Date"). The success of the initial public offering (the "IPO") reflected the capital market's confidence in the Company and its subsidiaries (the "Group") growth prospects in markets across the world.

### 2014 Results

2014 was a good year, with the Group's net profit for the year recording an increase of 18.8% as compared to 2013. The Group's business in the United States (the "US") was the main contributor to this remarkable growth – this affirms the management's decision to expand the Group's presence to the US. The Group will continue to strengthen its sales and presence in the US market as the global economy improves.

### 2015 Outlook

Quality service makes all the difference in an industry as customer-oriented as the Group. With that in mind, the Group will continue to invest in staff training and development, so that the Group's talented team of people around the world will always be agile, responsive and helpful when providing solutions in this ever-evolving industry.

Carrier relations are critical to our ability in providing flexible and competitive service offerings as well as ensuring stability in our customers' supply chain. The Group will continue to solidify our robust relationships with our long-term carriers while growing hand-in-hand as partners.

Besides looking for innovation and initiatives to enhance our existing information technology ("IT") system that tracks traditional freight movement, the Group will also strengthen its infrastructures and operating systems to accommodate the needs of developing an e-commerce platform. The Group aims to explore further opportunities in the e-commerce industry. Specifically, the Group aims to serve as the transportation link and track-and-trace information flow between all parties from e-commerce merchants to end-users.

Indeed, the Group was able to capitalise on its established IT system to capture cooperation opportunities with Chinese e-commerce giants, national post-offices and courier companies. The Group has already commenced trial operations in December 2014, with this venture serving as yet another milestone in the Group's business development. The Company believe this is a good opportunity for the Group to diversify its revenue stream and to maximise the best interests for the shareholders of the Company.

The fuel surcharge has dropped since the beginning of this year. The Group regard it as a positive signal stimulating the demand in air and ocean transportation. This is a good news to the logistics industry in 2015.

The funds raised from the Listing have helped lay a solid foundation for the Group's future development. Since the IPO, we have been on the hunt for merger and acquisition opportunities and are confident that expansion will occur.

## THANK YOU

Looking back at a successful year, let me express my thanks and appreciation to my fellow directors on the board (the "Board") of directors (the "Directors") of the Company, our senior executives and partners. I would also like to thank every one of the Group's employees across the globe for their support and devotion to teamwork. Their enthusiasm and dedication will continue to sustain the future growth of the Group in the years to come.

**Lam Chun Chin, Spencer**
*Chairman & Chief Executive Officer*

Hong Kong, 30 March 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Board is pleased to announce the first audited annual results of the Group for the year ended 31 December 2014 (the "FY2014") since the successful Listing on the Main Board of the Stock Exchange on the Listing Date. The relevant audited financial figures for the year ended 31 December 2013 (the "FY2013") are set out in this report for comparative purposes. During the FY2014, the demand for logistics and freight forwarding services continued to rise. Such growth was in line with the global logistics industry development of the past consecutive years.

### Financial Results

Supported by the solid performance of the air freight business, the Group recorded revenue of about HK$3,468.1 million during the FY2014 (FY2013: about HK$3,161.3 million), representing a rise of about 9.7%. Gross profit amounted to about HK$509.8 million during the FY2014 (FY2013: about HK$465.2 million), representing an increase of about 9.6%. Gross profit margin during the FY2014 was about 14.7% (FY2013: about 14.7%), while net profit attributable to owners of the Company rose by about 28.3% to about HK$59.6 million during the FY2014 (FY2013: about HK$46.4 million). The increase in net profit was mainly due to the general increase in demand from customers. In particular, the main factor contributing to the increase in revenue was brought by the air freight segment as one of the customers of the Group has substantially increased its volume of shipments during the FY2014 as compared to the FY2013.

### Segmental Analysis

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

#### Air Freight

The air freight forwarding business constituted the largest business segment of the Group, representing about 68.5% of the Group's total revenue during the FY2014 (FY2013: about 68.2%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including honours from the World Cargo Alliance, and "Top Agent Award" from Cathay Pacific Cargo/Dragonair Cargo each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, among others.

Leveraging its strong relationship with customers, a number of whom contributed to a substantial increase in shipment volume during the year, and strong links with major airlines, the air freight business recorded revenue of about HK$2,375.5 million during the FY2014 (FY2013: about HK$2,154.6 million), representing a rise of about 10.3% as compared to the FY2013. Gross profit of the segment also improved from about HK$264.7 million in FY2013 to about HK$315.5 million during the FY2014, representing an increase of about 19.2%. In respect of air import and export tonnage, the Group achieved exceptional year growth of about 9.2% and 17.6% during the FY2014, respectively, the result of its established market position and extensive network coverage that includes 55 offices around the world as at 31 December 2014, 44 offices of which are located in 13 Asian countries and territories, comprising Hong Kong, the People's Republic of China ("China" or the "PRC") Cambodia, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, the United Arab Emirates and Vietnam. This comprehensive geographical presence has enabled the Group to capture increasing market demand globally by leveraging its cross border advantages. During the FY2014, China and Hong Kong achieved the largest increase in air import and export tonnage, surging by about 38.5% and increasing slightly by about 3.4% respectively. As for China and Hong Kong, the Group experienced an increase in gross profit of about 26.3% and 15.2% during the FY2014 respectively, which also contributed to the boost in the Group's net profit.

## BUSINESS REVIEW (CONTINUED)

### Segmental Analysis (Continued)

#### Ocean Freight

Contributing about 28.1% of the Group's total revenue during the FY2014 (FY2013: about 28.4%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage service. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system have enabled the Group to capture the ocean freight market growth. During the FY2014, despite stiff headwinds experienced in the market and slower consumer demand for ocean freight, this segment still managed to achieve revenue growth of about 8.6% to HK$974.5 million (FY2013: about HK$897.2 million). However, owing to rising costs, gross profit slipped to about HK$153.0 million during the FY2014 (FY2013: about HK$158.9 million). The cost increased significantly in North America due to the labour strike in the west coast, the US, leading to an increase of general rate or application of peak season surcharge by shipping lines when issuing bill of lading. During the FY2014, the ocean freight shipping volume handled by the Group reached 106,272 twenty-foot equivalent unit (FY2013: 106,567 twenty-foot equivalent unit), representing a decrease of about 0.3%.

#### GSA Business

The GSA business involves agreements entered between the Group and regional airlines, whereby the Group subsequently acts as a wholesaler of the airlines' cargo space. During the FY2014, despite the termination of one airline appointment, the GSA business managed to perform at a comparable level as the FY2013, with revenue of about HK$3.2 million (FY2013: about HK$3.6 million). Our revenue generated from GSA recorded as net agency income.

#### Ancillary and Contract Logistics Services

Accounting for about 1.3% of the Group's total revenue during the FY2014 (FY2013: about 1.8%), the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery service for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's IT platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the FY2014, the Group sought to further adjust its warehouse operation to cope with market conditions. Consequently, this business achieved revenue of about HK$45.1 million during the FY2014 (FY2013: about HK$58.2 million) and gross profit of about HK$24.8 million during the FY2014 (FY2013: about HK$26.4 million).

#### Others

The other businesses include combined shipments, trucking and hand-carry services, the latter of which involves time sensitive shipments that allows the Group to charge higher fees and consequently benefit from higher profits. During the FY2014, the other businesses recorded revenue of about HK$69.8 million (FY2013: about HK$47.6 million) and gross profit of about HK$13.3 million (FY2013: about HK$11.5 million). The increase of gross profit for other businesses during the FY2014 was contributed mainly by the increase of combined shipments.

### Liquidity and Financial Resources

The Group has centralised 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 31 December 2014 was about HK$356.1 million, representing a significant increase of about 39.8% from about HK$254.7 million as at 31 December 2013. The current ratio of the Group improved from about 1.46 times as at 31 December 2013 to about 1.79 times as at 31 December 2014.

## BUSINESS REVIEW (CONTINUED)

### Liquidity and Financial Resources (Continued)

As at 31 December 2014, the Group's bank balances and cash amounted to about HK$243.0 million, representing a significant increase of about 48.3% from about HK$163.9 million as at 31 December 2013. For the FY2014, the Group had operating cash inflow of about HK$68.3 million (FY2013: operating cash outflow of about HK$9.2 million). As at 31 December 2014, the Group's outstanding bank borrowings amounted to about HK$148.9 million (as at 31 December 2013: about HK$165.4 million). The gearing ratio of the Group was about 33.4% as at 31 December 2014 (as at 31 December 2013: 47.6%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2014, the Group maintained a net cash position (as at 31 December 2013 net debt to equity ratio: 0.45%). The Group will continue to secure financing as and when the need arises. The guarantee given to banks during the FY2014 in respect of banking facilities granted and utilised by a related company in which Mr. Lam Chun Chin, Spencer and Mr. Hartmut Ludwig Haenisch have beneficial interest was released upon the successful Listing on the Main Board of the Stock Exchange.

### Foreign Exchange Risk

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, CAD, TWD, JPY, VND, IDR, KRW and AED among which, RMB, EUR and USD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the FY2014 and in FY2013. The Group continues to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during FY2014.

### Capital Expenditure Commitments

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

### Charge On Assets

As at 31 December 2014, the Group had pledged bank deposits of about HK$11.1 million as securities against banking facilities granted to the Group (as at 31 December 2013: about HK$3.7 million).

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

To rationalise the current structure of the Group for the Listing, the Company underwent the corporate reorganisation, pursuant to which the Company became the holding company of the subsidiaries of the Company now comprising the Group. Details of the corporate reorganisation have been set out in the prospectus of the Company dated 30 June 2014 (the "Prospectus"). Save for the corporate reorganisation, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company during the FY2014.

## PROSPECTS

Looking ahead, the global demand for logistics and freight forwarding services is expected to remain healthy in the medium to long term. According to a market research conducted by a market research institution which was commissioned by the Company, global total transportation volume of cargo will reach about 96,539.8 million tonnes in 2015 and is expected to reach about 105,592.2 million tonnes by 2016, which indicates considerable market growth potential.

### Strengthen Global Presence and Expand Office Network

To capitalise on growing demand, the Group will employ an aggressive market expansion strategy in Asia and the Middle East. This will allow the Group to specifically meet increasing cross-border logistics service demand, and in turn capture greater market share and trade volume. In respect of market expansion in North America, this will be facilitated by generating greater network synergies through strategic acquisitions.

## PROSPECTS (CONTINUED)

### Enhance Core Businesses with Growth Potential

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

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

As one of the important focus areas of the Group going forward, the Group will continue to explore e-commerce opportunities, such as the possibility of encouraging the cross-selling of goods among its existing direct customers, which currently comprise about 28,000 customers. Those customers engaged in garments, footwear and electronics, which would also be provided with sales opportunities that enable them to tap into new markets, gain new business and attract new customers while relying on the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure, and thus delivering benefits to all parties concerned. To expedite development of the e-commerce business, a dedicated team established within the year possesses experience in e-commerce marketing, relevant technical expertise and the capacity to identify products with good online sales potential. The Group will also examine potential acquisitions that enable the e-commerce business to benefit from further integration. In order to facilitate the Group's aggressive market expansion and enhancement of core businesses with the aim to capture opportunities arising from the increasing market demand, the recruitment of more business development personnel will be pursued as well. It is expected that the Group will implement the above plans by the net proceeds generated from the global offering and the internal resources of the Group. With greater financial resources on hand, an increasingly robust business model and healthy outlook for the logistics and freight forwarding industry, the management is optimistic about the Group's ability to sustain growth and deliver fair returns to the Company's shareholders.

## HUMAN RESOURCES

As at 31 December 2014, the Group employed about 1,100 employees (as at 31 December 2013: about 1,030 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 FY2014, training activities have been conducted to improve the performance of sales and marketing activities and customer services.

## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the banking facilities (the "Facility Letter") granted by a bank in Hong Kong to On Time Express Limited (先達國際貨運有限公司) ("OT HK"), an indirect wholly owned subsidiary of the Company, the bank has agreed to grant to OT HK (i) a loan in the sum of HK$80 million (the "Bridging Loan") which shall be repayable within one year from drawdown or upon the Listing, whichever is earlier; and (ii) other facilities (the "Other Facilities") in the aggregate sum of HK$60 million which shall be subject to renewal by 15 July 2015. On 7 July 2014, the Group has drawn the Bridging Loan of HK$36.6 million. The Bridging Loan has been fully repaid on 7 August 2014 and terminated thereafter. After the repayment of the Bridging Loan, the Other Facilities has been increased to the aggregate sum of HK$125.2 million which shall be subject to renewal by 15 July 2015. The Facility Letter contains a condition which requires Mr. Lam Chun Chin, Spencer, one of the controlling shareholders of the Company, to remain as the chairman of the Company and the largest single shareholder of the Company with shareholding of no less than 40% in the Company. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in the aggregate sum of HK$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 at 31 December 2014, the total amount of the loan drawn by the Group from the Facility Letter and other loan agreements and/or banking facilities amounted to about HK$149 million. As of the date of this report, OT HK is in compliance with the Facility Letter.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## BIOGRAPHIES OF DIRECTORS

### Executive Directors

**Mr. Lam Chun Chin, Spencer ("Mr. Lam"),** aged 56, is an executive Director, the chairman of the Board, the chief executive officer, the chairman of the nomination committee (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Company. He was appointed as a Director on 6 March 2013 and re-designated as an executive Director on 20 December 2013. Mr. Lam is the founder of the Group and he is responsible for overall strategic development, and leading the business development of the Group. Prior to the establishment of the Group in 1995, Mr. Lam had been an assistant route manager from May 1984 to December 1986 and was then promoted as route manager from January 1987 to June 1988, as assistant sales manager from July 1988 to December 1989, as sales manager from January 1990 to December 1990 and as an assistant general manager from January 1991 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. He was mainly responsible for the overall sales strategy as well as sales activities of Freight Express International Ltd. on the east and westbound sector for air freight, sea freight and sea-air traffic worldwide. He has over 31 years of experience in operation and management of freight forwarding and logistics industry. Mr. Lam obtained his diploma in management studies which was jointly awarded by Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) and The Hong Kong Management Association in September 1991. He is also a director of certain subsidiaries of the Company. Mr. Lam is the beneficial owner and the sole director of Golden Strike International Limited, one of the controlling shareholders of the Company.

**Mr. Hartmut Ludwig Haenisch ("Mr. Haenisch"),** aged 50, is an executive Director, the vice chairman of the Board and chief operating officer of the Company. Mr. Haenisch is responsible for overall sales and leading the business development of the Group and communication with key customers and suppliers. He joined the Group in January 1998 and worked as a director of international sales from January 1998 to February 1998. Mr. Haenisch has been the managing director of the Group since March 1998 and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, he had been a marketing executive from May 1994 to July 1995 and was later promoted as sales manager in charge of European traffic from August 1995 to December 1997 of Freight Express International Ltd., which was then principally engaged in freight forwarding service. Mr. Haenisch was mainly responsible for the sales activities of Freight Express International Ltd. He has over 21 years of experience in sales and management of freight forwarding and logistics industry. Mr. Haenisch obtained a master's degree in business administration from University of Osnabrück of Germany in March 1992. He is also a director of certain subsidiaries of the Company. Mr. Haenisch is the beneficial owner and the sole director of Polaris International Holdings Limited, one of the controlling shareholders of the Company.

**Ms. Cheung Ching Wa, Camy ("Ms. Cheung"),** aged 49, is an executive Director and chief administrative officer of the Company. She is responsible for overall administration and management and IT development of the Group. Ms. Cheung joined the Group in November 1997 and worked as an executive secretary from December 1997 to December 2000. She has been the general manager of the Group since January 2001 and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, Ms. Cheung has acquired secretarial experiences by working in Nina Ricci (Far East) Ltd., which was then principally engaged in perfume trading, the Hongkong and Shanghai Banking Corporation Limited, Gemex Trading Limited, which was then principally engaged in trading, and Freight Express International Ltd., which was then principally engaged in freight forwarding service during June 1986 to November 1997. She has over 22 years of experience in administration and management of freight forwarding and logistics industry. She completed a course in office management for secretaries and administrative assistants from Centre for Professional and Continuing Education (currently known as College of Professional and Continuing Education) of The Hong Kong Polytechnic University in September 1997. Ms. Cheung graduated from the Bolton Institute of Higher Education (currently known as University of Bolton) of the United Kingdom with a bachelor's degree in business studies in June 2003. She is also a director of certain subsidiaries of the Company.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

## BIOGRAPHIES OF DIRECTORS (CONTINUED)

### Executive Directors (Continued)

**Ms. Wong Pui Wah ("Ms. Wong"),** aged 40, is an executive Director, chief financial officer, the company secretary (the "Company Secretary") and the chairlady of the corporate governance committee (the "Corporate Governance Committee") of the Company. She is responsible for overall financial and banking management of the Group. Ms. Wong joined the Group in March 2006 and worked as an accounting manager. She became the financial controller of the Group since August 2006. She was appointed as an executive Director on 20 December 2013. Prior to joining the Group, Ms. Wong had acquired auditing and accounting experiences by working in various accountancy firms which include Frank Ho & Co., Y.L. Ngan & Company, C.W. Leung & Co. and RSM Nelson Wheeler during June 1998 to March 2006. She has over 16 years of experience in auditing, accounting and financial management. Ms. Wong graduated from Lingnan College (currently known as Lingnan University) with a bachelor's degree in business administration in November 1998. She also obtained a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2010. She is a non-practising member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Wong is also a director of certain subsidiaries of the Company.

**Mr. Dennis Ronald de Wit ("Mr. D.R. de Wit"),** aged 56, is an executive Director. He is responsible for overall sales, leading the business development of the Group and communication with key customers and suppliers in the Netherlands, central Europe and the US. Mr. D.R. de Wit joined the Group in December 2011 as a result of our acquisition of OTX Logistics B.V. and was appointed as an executive Director on 20 December 2013. Prior to joining the Group, he had been a director from March 1984 to October 1986 of Allfreight International B.V., which was then principally engaged in freight forwarding services, and was mainly responsible for the overall management. Mr. D.R. de Wit managed Internationaal Expeditiebedrijf Ebrex Air B.V., which was then principally engaged in freight forwarding services, through his management company D.R. de Wit Beheer B.V. from December 1987 to June 1993. He has been a director of OTX Logistics B.V., an indirect non-wholly owned subsidiary of the Company, since May 1999. Mr. D.R. de Wit is also a director of certain subsidiaries of the Company.

### Independent non-executive Directors

**Mr. Ng Wai Hung ("Mr. Ng"),** aged 51, is an independent non-executive Director and a member of the audit committee (the "Audit Committee"), the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Ng is qualified as a solicitor in Hong Kong and he is currently a partner in Iu, Lai & Li Solicitors & Notaries.

Mr. Ng resigned as an independent non-executive director of the following two companies listed on the Stock Exchange on 29 August 2014 and 27 September 2014, respectively: Perception Digital Holdings Limited (stock code: 1822) and HyComm Wireless Limited (stock code: 499). Currently, Mr. Ng is acting as an independent non-executive director of the following companies listed on the Stock Exchange:

| Name of listed company | Stock code |
|---|---|
| China Star Cultural Media Group Limited (appointed on 19 March 2015) | 8172 |
| Fortune Sun (China) Holdings Limited | 352 |
| GOME Electrical Appliances Holding Limited | 493 |
| Sustainable Forest Holdings Limited | 723 |
| Trigiant Group Limited | 1300 |
| Tech Pro Technology Development Limited | 3823 |

**Mr. Poon Ka Lee Barry ("Mr. Poon"),** aged 55, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Poon obtained a professional diploma in accountancy from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983 and a master's degree in business administration from the University of Manchester of the United Kingdom in December 2002. He is currently a practising member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants. He has over 26 years of experience in audit, accounting and finance. Mr. Poon is currently an executive director, chief financial officer and company secretary of Telefield International (Holdings) Limited (stock code: 1143) ("Telefield"), a company listed on the Main Board of the Stock Exchange, and which is principally engaged in electronic manufacturing services, marketing and distribution of branded small and medium business phone systems, assembling and/or marketing and distribution of branded multimedia products and computer accessories, gaming and entertainment products. Mr. Poon is responsible for developing and implementing the strategic objectives and business plans of Telefield.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

## BIOGRAPHIES OF DIRECTORS (CONTINUED)

### Independent non-executive Directors (Continued)

**Mr. Wong See Ho, B.B.S. ("Mr. Wong"),** aged 65, is an independent non-executive Director and the chairman of the Audit Committee. He was appointed as an independent non-executive Director on 20 June 2014. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, qualified in July 1974 and has over 20 years of working experience in accounting with Cathay Pacific Airways Limited. He started his accounting career with Cathay Pacific Airways Limited, which is principally engaged in aviation services, in September 1968 and was promoted to become general manager of finance in January 1989 before he moved into general management work starting with Swire Air Catering Services Limited (now known as Cathay Pacific Catering Services (HK) Limited), which is principally engaged in airline catering, as its chief executive and general manager in December 1992 until March 1999. Mr. Wong was also a director of Vogue Laundry Service Limited, which is principally engaged in laundry and dry cleaning services, from March 1990 to December 1999, and was appointed as its chairman in November 1994. He was then appointed as managing director of Hong Kong Air Cargo Terminals Limited, an air cargo terminal operator at Hong Kong International Airport, in April 1999 and worked until August 2010, and was its senior advisor from September 2010 to May 2012. Mr. Wong has been elected a Chartered Fellow of The Chartered Institute of Logistics and Transport in Hong Kong in August 2011. Mr. Wong is presently a member of the Aviation Development Advisory Committee appointed by The Government of the Hong Kong Special Administrative Region. Mr. Wong was awarded the Bronze Bauhinia Star by The Government of the Hong Kong Special Administrative Region in July 2011 in recognition of his dedication and valuable contribution to the development of the logistics industry in Hong Kong.

## BIOGRAPHIES OF SENIOR MANAGEMENT

**Mr. Lau Wai Man,** aged 43, is the air freight director of the Group. He has been with the Group since June 1998. Mr. Lau has been the Group's operations manager from June 1998 to December 2011, where he was responsible for operational matters, and he was promoted to the Group air freight director at the end of 2011. He obtained a certificate in air freight forwarding from the Vocational Training Council of Hong Kong in July 1992. He then completed a traineeship as an airfreight operations clerk in September 1993. Mr. Lau also obtained a professional diploma in inventory and logistics management from The Hong Kong Management Association in September 2002, a continuing education diploma in management studies from City University of Hong Kong in July 2010 and a bachelor's degree in logistics from University of Huddersfield of the United Kingdom in November 2012. He is a chartered member of The Chartered Institute of Logistics and Transport since June 2013.

**Mr. Cheng Wai Kit, Matthew,** aged 44, is the seafreight and account manager of the Group. He has been with the Group since April 2011. Mr. Cheng has over 20 years of experience in operation and management of freight forwarding and logistics industry. Mr. Cheng had obtained a diploma in business management from the School of Continuing Education of Hong Kong Baptist University in December 2001 and a bachelor's degree in logistics from the University of Huddersfield of the United Kingdom in June 2006. He has been elected as a full member of The Hong Kong Management Association in March 2007, a chartered member of The Chartered Institute of Logistics and Transport in June 2007, and he was elected as an executive committee member of the Hong Kong Sea Transport and Logistics Association since January 2009.

**Ms. Barbara Beckmann Hoffmann,** aged 40, is the head of the trade lane management of the Group, where she is responsible for overseas agent sales. She has been with the Group since April 2008. She had been a regional development manager from April 2008 to December 2010. Ms. Barbara was promoted to trade lane manageress of the Group in 2011. She has over 20 years of working experience with customers in South America and now she is stationed in the US to oversee all the trade customers and agents in America.

**Mr. Cheung Hin Wai,** aged 41, is the China manager of the Group. He has been with the Group since February 2002. Mr. Cheung was the Group's seafreight operations supervisor from February 2002 to January 2003 of OT HK and branch manager from February 2003 to January 2004 of the Group's Guangzhou branch office. He has over 17 years of experience in warehouse and logistics industry and over 10 years of working experience in the PRC. Mr. Cheung obtained a bachelor of social science with major in geography and minor in economics from The Chinese University of Hong Kong in December 1997. Mr. Cheung completed and passed the training for ISO 9001: 2008 and ISO 14001: 2004 held by Shanghai Chance Management Consultant Co., Ltd. in December 2012. Currently, he is stationed in Shanghai and oversees all the PRC operations.

**Mr. Louis Francois Frederic Malouvier**, aged 36, is the trade lane manager for Mediterranean and African regions of our Group. Trade lane management consists on developing business by both sales activities and product management, but also looking at the financial aspect of the business aiming for maximum profitability. He has been with our Group since August 2010. Prior to joining our Group, he had been a sales representative from September 2003 to July 2006 in Derudder SA, a Le Havre French freight forwarder. Mr. Malouvier then worked at Bofill & Arnan S.A., which was then principally engaged in the provision of logistics services. He had been a headquarters representative in Seoul, Korea of Bofill & Arnan S.A. from September 2006 to January 2008, and was mainly responsible for coordination with headquarters and overseas network. He had been an operations and sales manager of Hong Kong office of Bofill & Arnan S.A. from February 2008 to July 2010 and he was mainly responsible for air and sea operations and sales covering agents and direct customers.

# DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements for the FY2014.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 6 March 2013. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the Listing on the Main Board of the Stock Exchange, the Company became the holding company of the Group. Details of reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. The Shares were listed on 11 July 2014 on the Main Board of the Stock Exchange.

## USE OF PROCEEDS

As stated in the section headed "Use of Proceeds" in the Prospectus, the net proceeds amounting to approximately HK$109.8 million from the Listing after deducting the relevant listing expenses were planned to be used for (i) expanding the office networks in Asia and North America of approximately HK$42.2 million; (ii) expanding existing contract logistics facilities in the US and the PRC of approximately HK$3.5 million; (iii) building and upgrading hardware and software for the IT system of approximately HK$8.1 million; (iv) recruiting additional personnel for our sales, contract logistics, business development and management teams in the PRC, the US, Taiwan, the United Arab Emirates and Japan of approximately HK$10.2 million; (v) repayment of a short-term bank loan of approximately HK$36.6 million; (vi) general working capital of the Group of approximately HK$9.2 million. During the FY2014, approximately HK$36.6 million was repaid for bank loan and approximately HK$2.8 was used for working capital. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are provision of freight forwarding services.

The principal activities of the principal subsidiaries are set out in note 46 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the FY2014 are set out in the consolidated statement of profit or loss on page 35.

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

The Board recommended the payment of a final dividend of HK1.6 cents per Share, absorbing a total amount of HK$6,640,000, in respect of the FY2014, which is subject to the approval of the shareholders at the annual general meeting of the Company (the "AGM") to be held on Thursday, 25 June 2015. The proposed final dividend is expected to be paid on Wednesday, 22 July 2015 to all shareholders whose names appear on the register of members of the Company on Wednesday, 8 July 2015.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 110. This summary does not form part of the audited financial statements.

# DIRECTORS' REPORT (CONTINUED)

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The increase in the fair value of the investment properties which has been credited to the consolidated statement of profit or loss and other comprehensive income amounted to HK$492,000.

Details of these and other movements in the investment properties and property, plant and equipment of the Group are set out in notes 17 and 18 to the consolidated financial statements, respectively.

## SHARE CAPITAL

Details of share capital are set out in note 36 to the consolidated financial statements.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the Listing Date to 31 December 2014.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the FY2014 are set out in the consolidated statement of changes in equity and note 45 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2014 is set out in note 45 to the consolidated financial statements.

## DIRECTORS

The Directors during the year and up to the date of this report were:

### Executive Directors:

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

### Independent Non-executive Directors:

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

In accordance with the articles of association of the Company (the "Articles"), Mr. Lam, Mr. Haenisch, Ms. Cheung and Ms. Wong will retire at the forthcoming AGM and all of them, being eligible, offer themselves for re-election at the forthcoming AGM.

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

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

* The percentage represents the number of Shares involved divided by the number of the Company's/the relevant associated corporation's issued Shares as at 31 December 2014.

*Notes:*

1. The letter "L" denotes the Director's long position in the Shares or the shares of the relevant associated corporation.

2. These Shares are held by Golden Strike International Limited ("Lam Investco"), which is wholly owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Lam Investco.

3. These Shares are held by Polaris International Holdings Limited ("Haenisch Investco"), which is wholly owned by Mr. Haenisch. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the Shares held by Haenisch Investco.

4. These Shares are held by Grand Splendour Holdings Limited (廣輝控股有限公司), which is wholly owned by Ms. Cheung. By virtue of the SFO, Ms. Cheung is deemed to be interested in the Shares held by Grand Splendour Holdings Limited.

5. These shares of OTX Logistics B.V. are held by T.Y.D. Holding B.V., which is owned as to 75% by Mr. D.R. de Wit. Mr. D.R. de Wit is a director of T.Y.D. Holding B.V. By virtue of the SFO, Mr. D.R. 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 31 December 2014, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# DIRECTORS' REPORT (CONTINUED)

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the year.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 44 to the consolidated financial statements, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam, Mr. Haenisch, Ms. Cheung, Ms. Wong and Mr. D.R. de Wit, all being executive Directors, has entered into a service contract with the Company pursuant to which he/she agreed to act as the executive Director for a term of three years with effect from 21 June 2014.

Each of Mr. Ng, Mr. Poon and Mr. Wong, all being independent non-executive Directors, has been appointed for an initial term of two years with effect from 21 June 2014.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

## SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was adopted by the then shareholders of the Company on 21 June 2014 (the "Adoption Date"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders of any member of the Group, advisers or consultants of the Group and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (the "General Scheme Limit"). As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 40,000,000 Shares, representing approximately 9.64% of the issued share capital of the Company. The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval.

## SHARE OPTION SCHEME (CONTINUED)

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

As at 31 December 2014, no option was granted under the Share Option Scheme.

## RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 44 to the consolidated financial statements.

## CONTINUING CONNECTED TRANSACTIONS

### Continuing Connected Transactions

Since the Listing Date and up to 31 December 2014, the Group has conducted the following continuing connected transactions which were required to be disclosed pursuant to Appendix 16 to the Listing Rules:

#### CCT Tenancy Agreements for a Director's quarter and office

As disclosed in the Prospectus under the section headed "Continuing Connected Transactions", the Group entered into the CCT Tenancy Agreements (as defined in the Prospectus) with certain connected persons (as defined in the Listing Rules) of the Company for the lease of a Director's quarter and offices and the transactions contemplated under the CCT Tenancy Agreements were then subject to the reporting, announcement and annual review requirements but exempted from independent shareholders' approval. Given the applicable percentage ratios (other than the profits ratio) of the CCT Tenancy Agreements were less than 5% calculated from the Listing Date to 31 December 2014 and the total consideration was less than HK$3 million, the CCT Tenancy Agreements were fully exempt from shareholders' approval, annual review and all disclosure requirements under the current Chapter 14A of the Listing Rules.

# DIRECTORS' REPORT (CONTINUED)

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### Continuing Connected Transactions (Continued)

**Management Agreement with an executive Director and his controlled company**

On 21 June 2014, OTX Logistics B.V. ("OTX Logistics Holland"), an indirect non-wholly owned subsidiary of the Company and (i) D.R. de Wit Beheer B.V., a company wholly owned by Mr. D.R. de Wit, an executive Director; and (ii) Mr. D.R. de Wit, entered into a management agreement (the "Management Agreement") for the provision of management services for a term commencing on 21 June 2014 and expiring on 31 December 2016. D.R. de Wit Beheer B.V. has been appointed as the contractor for OTX Logistics Holland for the performance of activities of a director and such services shall be provided by Mr. D.R. de Wit. The Group shall pay Mr. D.R. de Wit a fee of EUR14,658 per month, a holiday allowance equivalent to 8% of his monthly fee and a guaranteed year-end bonus of an amount equivalent to his monthly fee. In addition, Mr. D.R. de Wit is entitled to a minimum of 5% of annual pre-tax profits of OTX Logistics Holland, Westpoort Recon B.V., OTX Logistics Rotterdam B.V., OTX Solutions B.V. and Fashion Care Logistics B.V. ("OTX Logistics Holland Group"). From the Listing Date to 31 December 2014, the total amount paid by the Group to Mr. D.R. de Wit under the Management Agreement was EUR168,004 (equivalent to approximately HK$1.7 million).

**Master Agency Agreement with OTX Logistics Holland Group**

OTX Logistics Holland, is owned as to 25% by T.Y.D. Holding B.V., which is controlled by Mr. D.R. de Wit. On 21 June 2014, On Time Worldwide Logistics Limited ("OT BVI") (for itself and on behalf of the Group's subsidiaries and associated companies excluding the OTX Logistics Holland Group ("OT BVI Members")), a direct wholly owned subsidiary of the Company, entered into a master agency agreement (the "Master Agency Agreement") with OTX Logistics Holland Group where OT BVI Members have agreed to appoint OTX Logistics Holland Group as their agents in the Netherlands and OTX Logistics Holland Group has agreed to appoint OT BVI Members as their agents for the rest of the world (other than the Netherlands), for the promotion of transportation and logistics business for a term commencing from 21 June 2014 and expiring on 31 December 2016. OTX Logistics Holland Group and OT BVI Members agreed to share profits (or loss, if applicable) from operations attributable to the transactions under the Master Agency Agreement on the basis of a 50/50 split based on sums invoiced and received for each shipment after deduction of expenses including break bulk fees, delivery charges, free on board operations charges at the place of origin and customs clearance or brokerage charges at the place of destination. From the Listing Date to 31 December 2014, the profit in the amount of HK$3.9 million was shared by OT BVI Members to OTX Logistics Holland Group and the profit in the amount of HK$0.7 million was shared by OTX Logistics Holland Group to OT BVI Members.

The Company confirms that it has followed the policies and guidelines as set out in the Stock Exchange's Guidance Letter HKEx-GL73-14 when determining the price and terms of the CCT Tenancy Agreements, the Management Agreement and the Master Agency Agreement conducted during the FY2014.

### Non-exempted continuing connected transactions

**OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements**

Since the Listing Date and up to 31 December 2014, the OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements (as defined below) constitute non-exempted continuing connected transactions of the Company under the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### Non-exempted continuing connected transactions (Continued)

#### OT Thailand Contractual Arrangements

For reasons as disclosed in the section headed "History, Reorganisation and Corporate Structure - OT Thailand Contractual Arrangements" in the Prospectus, OT BVI entered into the following agreements (the "OT Thailand Contractual Arrangements") with Miss Ruchirek Pipatsriswat ("Miss Ruchirek") on 25 October 2013, who is a substantial shareholder holding 33.5% of shareholding interest in On-Time Worldwide Logistics Limited ("OT Thailand"):

(1) Loan assignment entered into between OT HK as assignor, OT BVI as assignee and Miss Ruchirek as borrower, whereby, the non-interest bearing loan for an aggregate principal amount of Baht 3,350,000 then owed by Miss Ruchirek to OT HK, was assigned to OT BVI and the loan shall be repayable on demand by OT BVI. The loan is conditional and secured by the pledge of shares in OT Thailand from time to time held by Miss Ruchirek under the share pledge agreement, and the arrangements under the proxy and the letter of undertakings.

(2) Share pledge agreement entered into between OT BVI as lender and Miss Ruchirek as borrower, whereby, Miss Ruchirek has pledged in favour of OT BVI, among others, her 33.5% of the total shareholding interest of OT Thailand, and all further shares and securities deriving from such pledged shares, or otherwise acquired and held by Miss Ruchirek from time to time.

(3) Letter of undertaking by Miss Ruchirek to OT BVI and OT Thailand, whereby, among others, she has irrevocably assigned and directed all dividends and distributions declared, paid and payable by OT Thailand and all distributions of assets and capital made and to be made by OT Thailand in relation to the shares of OT Thailand from time to time held by her to OT BVI (or such person as from time to time designated by it).

(4) Proxy by Miss Ruchirek to OT Thailand, whereby, Miss Ruchirek has irrevocably appointed OT BVI or any person nominated by it to act as Miss Ruchirek's proxy to attend, act and vote in respect of the shares in OT Thailand in her name and on her behalf at any general meeting of shareholders of OT Thailand.

OT Thailand contributed to approximately 1.3% of the Group's total revenue for the FY2014 (FY2013: 1.7%). Through the OT Thailand Contractual Arrangements, the financial results of OT Thailand were consolidated into the Group's financial statements as if it was the Company's subsidiary and, as a result, the Group bears 82.5% of the economic risks and losses of OT Thailand.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### Non-exempted continuing connected transactions (Continued)

**OT Vietnam Contractual Arrangements**

For reasons as disclosed in the section headed "History, Reorganisation and Corporate Structure - OT Vietnam Contractual Arrangements" in the Prospectus, OT HK entered into the following agreements (the "OT Vietnam Contractual Arrangements") with Dynamic Freight Co., Ltd. ("Vietnam Owner") on 6 November 2013, which is a substantial shareholder holding 49% of the total charter capital of On Time Worldwide Logistics (Vietnam) Co., Ltd. ("OT Vietnam"):

(1) Loan agreement entered into between OT HK as the lender and Vietnam Owner as the borrower, whereby, OT HK advanced to Vietnam Owner the interest bearing loan for a principal amount of US$4,900 and the loan shall be repayable on 22 December 2025 (or such later date as mutually agreed between the parties). The loan is conditional and secured by the mortgage of the charter capital in OT Vietnam from time to time owned by Vietnam Owner under the charter capital mortgage agreement, and the arrangements under the proxy and the letter of undertaking.

(2) Charter capital mortgage agreement entered into between OT HK as lender and Vietnam Owner as borrower, whereby, the Vietnam Owner has mortgaged in favour of OT HK, among others, all its 49% in the total charter capital of OT Vietnam, and all further charter capital and securities deriving from such mortgaged capital, or otherwise acquired and held by Vietnam Owner from time to time (whether by way of acquisition from the other shareholder(s) of OT Vietnam or by further contribution to the charter capital of OT Vietnam).

(3) Letter of undertaking by Vietnam Owner to OT HK, whereby, among others, it has irrevocably assigned and directed all dividends and distributions declared, paid and payable by OT Vietnam and all distributions of assets and capital made and to be made by OT Vietnam in relation to the shares of OT Vietnam from time to time held by it to OT HK (or such person as from time to time designated by it).

(4) Proxy dated 6 November 2013 by Vietnam Owner to OT Vietnam, whereby, Vietnam Owner has irrevocably appointed OT HK to nominate any person(s) designated by OT HK to act as the authorised representative(s) to participate in the board of directors of OT Vietnam and to act and exercise, on behalf of Vietnam Owner, all its power in respect of all the charter capital of OT Vietnam registered in its name.

OT Vietnam contributed to approximately 2.3% of the Group's total revenue for the FY2014 (FY2013: 1.9%). Through the operation of the OT Vietnam Contractual Arrangement, the financial results of OT Vietnam were consolidated into the Group's financial statements as if it was the Company's indirect wholly-owned subsidiary and, as a result, the Group bears 100% of the economic risks and losses of OT Vietnam.

For risks associated with the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements" in the Prospectus for details. To mitigate such risks associated, the Group intends to unwind the OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements as soon as possible if and when the relevant laws in the respective jurisdictions allow the Group to operate in such jurisdictions without such arrangements.

The purpose of the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements is to provide the Group with effective control over the financial and operational policies of OT Thailand and OT Vietnam, to obtain the economic benefits from OT Thailand and OT Vietnam and acquire the equity interests in OT Thailand and OT Vietnam as and when permitted under the applicable laws in Thailand or Vietnam and to allow the Company to consolidate the financial results of OT Thailand and OT Vietnam into the Group's financial statements as if they were the Group's subsidiaries, and the economic benefit of their business flows to the Group.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### Confirmation of auditor of the Company

Deloitte Touche Tohmatsu, the Company's auditor, were engaged to report on the Group's non-exempted continuing connected transactions in accordance with Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the Management Agreement, the Master Agency Agreement, the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements in respect of the FY2014 in accordance with Rule 14A.56 of the Listing Rules.

### Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Management Agreement and the Master Agency Agreement in respect of the FY2014 and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Furthermore, in relation to the OT Thailand Contractual Arrangements and OT Vietnam Contractual Arrangements in respect of the FY2014, the independent non-executive Directors have confirmed that the OT Thailand Contractual Arrangements and the OT Vietnam Contractual Arrangements have remained unchanged and consistent with the disclosure as set out in the Prospectus; and both of the said arrangements are fair and reasonable so far as the Group is concerned and in the interests of the shareholders of the Company as a whole.

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

As at 31 December 2014, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of shareholder | Capacity/nature of interest | Number of Shares involved *(Note 1)* | Percentage* of the Company's issued share capital |
|---|---|---|---|
| Lam Investco *(Note 2)* | Beneficial owner | 192,000,000 (L) | 46.27% |
| Ms. Li Wai Fun *(Note 2)* | Interest of spouse | 192,000,000 (L) | 46.27% |
| Haenisch Investco *(Note 3)* | Beneficial owner | 105,000,000 (L) | 25.30% |
| Ms. Haenisch Leung Man San *(Note 3)* | Interest of spouse | 105,000,000 (L) | 25.30% |
| Ruan David Ching-chi | Interest of controlled corporations | 37,424,000 (L) *(Notes 4 & 5)* | 9.02% |
| Yip Yok Tak Amy | Interest of controlled corporations | 37,424,000 (L) *(Notes 4 & 5)* | 9.02% |
| Rays Capital Partners Limited | Investment manager | 37,424,000 (L) *(Notes 4 & 5)* | 9.02% |
| Asian Equity Special Opportunities Portfolio Master Fund Limited | Beneficial owner | 24,962,000 (L) *(Notes 4 & 5)* | 6.01% |
| Bank of America Corporation | Interest of controlled corporations | 22,290,600 (L) *(Note 6)* | 5.37% |
| Bank of America Corporation | Short position of controlled corporations | 22,290,600 (S) *(Note 6)* | 5.37% |

* The percentage represents the number of Shares involved divided by the number of the Company's issued Shares as at 31 December 2014.

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

Notes:

1. The letter "L" denotes the person's or corporation's long position in the Shares. The letter "S" denotes the corporation's short position in the Shares.

2. Lam Investco is wholly owned by Mr. Lam and Mr. Lam is the sole director of Lam Investco. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Lam Investco as disclosed in the paragraph headed "Directors' interests and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Li Wai Fun is the spouse of Mr. Lam. Under the SFO, Ms. Li Wai Fun is taken to be interested in the same number of Shares in which Mr. Lam is interested.

3. Haenisch Investco is wholly owned by Mr. Haenisch and Mr. Haenisch is the sole director of Haenisch Investco. By virtue of the SFO, Mr. Haenisch is deemed to be interested in the Shares held by Haenisch Investco as disclosed in the paragraph headed "Directors' interests and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Haenisch Leung Man San is the spouse of Mr. Haenisch. Under the SFO, Ms. Haenisch Leung Man San is taken to be interested in the same number of Shares in which Mr. Haenisch is interested.

4. The information disclosed is based on the disclosure of interests forms submitted by these substantial shareholders respectively.

5. Ruan David Ching-chi and Yip Yok Tak Amy are deemed to be interested in these Shares through their controlled corporations, Asian Equity Special Opportunities Portfolio Master Fund Limited and Rays Capital Partners Limited.

6. Based on the disclosure of interests form submitted by Bank of America Corporation, the long/short positions are held through certain corporations controlled by Bank of America Corporation.

Save as disclosed above, as at 31 December 2014, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' interests and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and the transactions as disclosed in note 44 to the consolidated financial statements, no controlling shareholder or any of its subsidiaries has any contract of significance with the Company or its subsidiaries during the FY2014.

## MANAGEMENT CONTRACTS

Save as disclosed in the Prospectus, no contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the FY2014.

## DEED OF NON-COMPETITION

The Company has received the written confirmation from Mr. Lam, Mr. Haenisch, Golden Strike International Limited and Polaris International Holdings Limited (collectively, the "Controlling Shareholders") in respect of the compliance with the provisions of the deed of non-competition (the "Deed of Non-competition"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" of the Prospectus, from the Listing Date to 31 December 2014.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms from the Listing Date to 31 December 2014.

# DIRECTORS' REPORT (CONTINUED)

## TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Shares.

## CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2014 are set out in note 42 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the FY2014, less than 30% of the Group's revenue and cost of sales were attributable to the Group's five largest customers and suppliers, respectively.

## REMUNERATION POLICY

Remuneration policy of the Group is reviewed regularly and the remuneration policy and remuneration packages of the executive Directors and members of the senior management of the Group are recommended by the Remuneration Committee to the Board.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

Please refer to the announcement dated 21 July 2014 issued by the Company in relation to the insufficiency of its public float. As set out in the announcement of the Company dated 23 July 2014, the public float of the Company has been restored. Based on the current information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules.

## REGULATORY COMPLIANCE

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

# DIRECTORS' REPORT (CONTINUED)

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 June 2015 to Thursday, 25 June 2015 (both days inclusive) for the purpose of determining the right to attend and vote at the AGM. In order to be qualified for attending and voting at the AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 22 June 2015.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the AGM, the register of members of the Company will also be closed from Monday, 6 July 2015 to Wednesday, 8 July 2015 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the FY2014. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders at the AGM), unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. on Friday, 3 July 2015.

## CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") from the Listing Date to 31 December 2014, except for code provision A.2.1.

The code provision A.2.1 of the CG Code stipulates that 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 two roles separately.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## EVENTS AFTER THE FY2014

Events which may have caused material impact on the Group after the FY2014 are set out in note 47 to the consolidated financial statements. Save as disclosed, no events have caused material impact on the Group from the FY2014 to the date of this report.

## AUDITOR

A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Mr. Lam Chun Chin, Spencer**
*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2015

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as set out in the CG Code since the Listing Date and up to 31 December 2014.

The Board considers that during the period from the Listing Date to 31 December 2014 (the "Report Period"), the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

## A. THE BOARD

### A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The executive committee (the "Executive Committee") and senior management of the Company are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

### A2. Board Composition

The composition of the Board as at 31 December 2014 is as follows:

***Executive Directors:***

| | |
|---|---|
| Mr. Lam Chun Chin, Spencer | *(Chairman of the Board, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)* |
| Mr. Hartmut Ludwig Haenisch | *(Vice-chairman of the Board)* |
| Ms. Cheung Ching Wa, Camy | |
| Ms. Wong Pui Wah | *(Company Secretary and Chairlady of the Corporate Governance Committee)* |
| Mr. Dennis Ronald de Wit | |

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

## A. THE BOARD (CONTINUED)

### A2. Board Composition (Continued)

***Independent Non-executive Directors:***

| | |
|---|---|
| Mr. Ng Wai Hung | *(Member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee)* |
| Mr. Poon Ka Lee, Barry | *(Chairman of the Remuneration Committee and Member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee)* |
| Mr. Wong See Ho | *(Chairman of the Audit Committee)* |

Throughout the Report Period, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his/her expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders of the Company.

To the best knowledge of the Directors, the Directors and senior management have no financial, business, family or other material/relevant relationships with one another.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

### A3. Chairman and Chief Executive

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

Mr. Lam is currently acting as both the Chairman of the Board and the Chief Executive Officer of the Company. Taking into account Mr. Lam's strong expertise in the freight forwarding industry, the Board believes 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 two roles separately.

### A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term. Each executive Director is engaged on a service contract for an initial term of 3 years, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than 3 months' written notice expiring at the end of the initial term of their appointment or any time thereafter to the other.

Each of the independent non-executive Directors is appointed for an initial term of 2 years, which shall be renewed and extended automatically for successive terms of 2 years upon expiry of the then current term until terminated by either party by giving not less than 3 months' written notice expiring at the end of the initial term of their appointment or any time thereafter to the other.

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

## A. THE BOARD (CONTINUED)

### A4. Appointment and Re-election of Directors (Continued)

According to the Articles, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the 2015 AGM, Mr. Lam, Mr. Haenisch, Ms. Cheung and Ms. Wong shall retire pursuant to the Articles provisions stated in the foregoing paragraph. All of the above four retiring Directors, being eligible, will offer themselves for re-election at the 2015 AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this report, contains detailed information of these four Directors as required by the Listing Rules.

### A5. Training and Continuing Development for Directors

Each newly appointed Director shall receive formal induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the Report Period, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follow:

| | **Type of training/education** | |
|---|---|---|
| | **Attending training on regulatory development, directors' duties or other relevant topics** | **Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties** |
| Mr. Lam Chun Chin, Spencer | ✓ | ✓ |
| Mr. Hartmut Ludwig Haenisch | ✓ | ✓ |
| Ms. Cheung Ching Wa, Camy | ✓ | ✓ |
| Ms. Wong Pui Wah | ✓ | ✓ |
| Mr. Dennis Ronald de Wit | ✓ | ✓ |
| Mr. Ng Wai Hung | ✓ | ✓ |
| Mr. Poon Ka Lee, Barry | ✓ | ✓ |
| Mr. Wong See Ho | ✓ | ✓ |

In addition, the Directors have attended, prior to the Report Period, a training session conducted by the Company's legal advisor on directors' duties and responsibilities under the Listing Rules and other applicable laws and regulations.

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

### A. THE BOARD (CONTINUED)

#### A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings of the Company held during the Report Period are set out below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **Corporate Governance Committee** |
| *Executive Directors:* | | | | | |
| Mr. Lam Chun Chin, Spencer | 2/2 | N/A | 1/1 | 1/1 | N/A |
| Mr. Hartmut Ludwig Haenisch | 2/2 | N/A | N/A | N/A | N/A |
| Ms. Cheung Ching Wa, Camy | 2/2 | N/A | N/A | N/A | N/A |
| Ms. Wong Pui Wah | 2/2 | N/A | N/A | N/A | 1/1 |
| Mr. Dennis Ronald de Wit | 2/2 | N/A | N/A | N/A | N/A |
| *Independent Non-executive Directors:* | | | | | |
| Mr. Ng Wai Hung | 2/2 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Poon Ka Lee, Barry | 2/2 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Wong See Ho | 2/2 | 2/2 | N/A | N/A | N/A |

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the Report Period. There was no general meeting held by the Company during the Report Period.

#### A7. Model Code for Securities Transactions

The Company has devised its own code of conduct regarding Directors' and employees' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the Model Code. Each Director has been given a copy of the Securities Dealing Code. Specific enquiry has been made of all Directors and they have confirmed their compliance with the Securities Dealing Code throughout the Report Period. In addition, no incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

### B. BOARD COMMITTEES

The Board has established five Board committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website and the Company's website (except for the terms of reference of the Executive Committee which are available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

## B. BOARD COMMITTEES (CONTINUED)

### B1. Executive Committee

The Executive Committee comprises all the executive Directors with the Chairman of the Board, Mr. Lam, acting as the chairman. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

### B2. Remuneration Committee

The Remuneration Committee comprises a total of three members, being one executive Director, Mr. Lam, and two independent non-executive Directors, Mr. Poon (chairman of the Committee) and Mr. Ng. Throughout the Report Period, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

During the Report Period, the Remuneration Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above), in which the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management of the Company were reviewed and relevant recommendations were made to the Board.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the FY2014 is set out below:

| Remuneration band (HK$) | Number of individual |
|---|---|
| 500,000-1,000,000 | 2 |
| 1,000,001-1,500,000 | 3 |

Details of the remuneration of each Director for the FY2014 are set out in note 14 to the financial statements contained in this report.

### B3. Nomination Committee

The Nomination Committee comprises a total of three members, being the Chairman of the Board, Mr. Lam (chairman of the Committee), and two independent non-executive Directors, Mr. Ng and Mr. Poon. Throughout the Report Period, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by the Chairman of the Board.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive of the Company.

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

### B. BOARD COMMITTEES (CONTINUED)

#### B3. Nomination Committee (Continued)

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company on 21 June 2014, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the Report Period, the Nomination Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above) in which the Committee members has reviewed the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group.

In addition, the Board has set the following measurable objectives implementing the Board diversity policy:

– At least 20% of the Board members to be aged below 60;

– At least 20% of the Board members to be non-Chinese;

– At least 30% of the Board members to possess professional qualifications in legal or accounting field; and

– At least 20% of the Board members to have business experience in areas other than logistics.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained during the Report Period. Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy for the Report Period.

#### B4. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the Report Period. The Audit Committee comprises a total of three members, being three independent non-executive Directors, Mr. Wong (chairman of the Committee), Mr. Ng and Mr. Poon. Both of Mr. Wong and Mr. Poon possess the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

## B. BOARD COMMITTEES (CONTINUED)

### B4. Audit Committee (Continued)

During the Report Period, the Audit Committee has held two meetings (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

– Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2014 and the relevant review findings of the Company's external auditor;

– Reviewed the report prepared by an external adviser on the Group's internal control matters;

– Reviewed the Group's continuing connected transactions for the FY2014;

– Reviewed certain material litigation and possible related claims against the Group;

– Reviewed and approved the audit plan of the Company's external auditor, including the nature and scope of audit, remuneration and terms of engagement in respect of the audit on the financial statements for the FY2014; and

– Reviewed the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters.

The external auditor has attended both meetings and discussed with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

### B5. Corporate Governance Committee

The Corporate Governance Committee comprises a total of three members, being one executive Director, Ms. Wong (chairlady of the Committee), and two independent non-executive Directors, Mr. Ng and Mr. Poon.

The Corporate Governance Committee is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code, including developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Securities Dealing Code; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. The Corporate Governance Committee is also responsible for reviewing the Group's process of disclosure, including assessing and verifying the accuracy and materiality of inside information and determining the form and content of any required disclosure; and reviewing and monitoring the effectiveness of the shareholders' communication policy adopted by the Company.

During the Report Period, the Corporate Governance Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

– Reviewed the policies and practices on corporate governance of the Group; and

– Considered the adoption of various corporate governance related documents and made relevant recommendations to the Board.

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

### C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the FY2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

### D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of shareholders of the Company and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee and the Board on any findings and measures to address the variances and identified risks.

During the Report Period, the Board has conducted a review of the effectiveness of the internal control system of the Group.

### E. COMPANY SECRETARY

The Company Secretary is Ms. Wong, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Ms. Wong are set out in the section headed "Biographies of Directors and Senior Management" of this report. During the FY2014, Ms. Wong has taken not less than 15 hours of relevant professional training.

### F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the FY2014 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to Deloitte Touche Tohmatsu, the Company's auditor, in respect of audit services and non-audit services for the FY2014 are analysed below:

| **Type of services provided by the external auditor** | **Fees paid/payable**<br>HK$ |
|---|---|
| Audit services – audit fee for the FY2014 | 1,230,000 |
| Non-audit services | |
| – review of interim results for the six months ended 30 June 2014 | 400,000 |
| – review of continuing connected transactions for the FY2014 | 75,000 |
| – review of annual result announcement for the FY2014 | 25,000 |
| TOTAL: | 1,730,000 |

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

### G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.ontime-express.com as a communication platform with its shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders of the Company and investors may send written enquiries or requests to the Company via the following contact details:

| | |
|---|---|
| Attention: | Company Secretary |
| Address: | Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong |
| Email: | tiffany.wong@chq.ontime-express.com |
| Tel: | (852) 2998 4626 |
| Fax: | (852) 3586 7681 |

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders of the Company. Board members and senior staff will be available to answer questions raised by the shareholders of the Company at general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

### H. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.ontime-express.com) and the Stock Exchange after each shareholders' meeting.

Pursuant to the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

## CORPORATE GOVERNANCE PRACTICES (CONTINUED)

### I. CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the then shareholders of the Company passed on 21 June 2014, the amended and restated memorandum of association and articles of association of the Company was adopted with effect from such date. Save as disclosed above, during the FY2014, there was no significant change in the memorandum of association and articles of association of the Company.

The amended and restated memorandum of association and articles of association of the Company is available on the websites of the Stock Exchange and the Company.

### J. DEED OF NON-COMPETITION

In respect of the compliance of the provisions of the Deed of Non-competition by the Controlling Shareholders, please refer to the section headed "Deed of Non-competition" in the Directors' Report of this report.

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**
**德勤**

**TO THE MEMBERS OF 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)*

We have audited the consolidated financial statements of On Time Logistics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 109, which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong 30 March 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | *Notes* | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|---|
| Revenue | *7* | 3,468,061 | 3,161,290 |
| Cost of sales | | (2,958,299) | (2,696,130) |
| Gross profit | | 509,762 | 465,160 |
| Other income | *9* | 5,109 | 4,818 |
| Administrative expenses | | (404,658) | (378,694) |
| Other gains or losses | *10* | (4,529) | (227) |
| Listing expenses | | (10,015) | (12,596) |
| Share of loss of associates | | (261) | (65) |
| Share of profit of joint ventures | | 1,300 | 408 |
| Finance costs | *11* | (4,961) | (4,757) |
| Profit before taxation | | 91,747 | 74,047 |
| Income tax expense | *12* | (26,463) | (19,072) |
| Profit for the year | *13* | 65,284 | 54,975 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 59,573 | 46,447 |
| Non-controlling interests | | 5,711 | 8,528 |
| | | 65,284 | 54,975 |
| Earnings per share (Hong Kong cents) | | | |
| Basic and diluted | *16* | 17.1 | 16.3 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | *Notes* | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|---|
| Profit for the year | | 65,284 | 54,975 |
| Other comprehensive (expense) income, net of income tax: | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Revaluation increase on leasehold land and buildings | | 1,964 | 2,735 |
| Deferred tax liability arising on revaluation of leasehold land and buildings | *35* | (406) | (406) |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Share of reserve of associates | | (7) | 4 |
| Share of reserve of joint ventures | | (581) | 153 |
| Exchange difference arising from foreign operations | | (14,294) | 3,254 |
| Other comprehensive (expense) income for the year | | (13,324) | 5,740 |
| Total comprehensive income for the year | | 51,960 | 60,715 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 49,652 | 51,382 |
| Non-controlling interests | | 2,308 | 9,333 |
| | | 51,960 | 60,715 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2014*

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 17 | 8,259 | 7,809 |
| Property, plant and equipment | 18 | 52,147 | 51,293 |
| Goodwill | 19 | 16,065 | 18,111 |
| Intangible assets | 20 | 25,743 | 21,773 |
| Interests in associates | 21 | 104 | 61 |
| Interests in joint ventures | 22 | 4,912 | 4,193 |
| Loan receivables – due after one year | 23 | – | 4,834 |
| Trade and bills receivables – due after one year | 24 | – | 101 |
| Deferred tax assets | 35 | 272 | 338 |
| | | 107,502 | 108,513 |
| **Current assets** | | | |
| Trade and bills receivables | 24 | 480,624 | 549,780 |
| Other receivables, deposits and prepayments | 24 | 62,784 | 69,528 |
| Held for trading investments | 25 | 1,044 | 1,086 |
| Derivative financial instrument | 26 | – | 51 |
| Loan receivables – due within one year | 23 | – | 2,131 |
| Amount due from a joint venture | 28 | 4,579 | 3,248 |
| Amounts due from directors | 29 | – | 15,011 |
| Amounts due from associates | 27 | 5,723 | – |
| Amounts due from related companies | 30 | – | 1,052 |
| Loan to an associate | 27 | – | 388 |
| Loan to a related company | 30 | – | 677 |
| Prepaid tax | | 890 | 2,412 |
| Pledged bank deposits | 31 | 11,088 | 3,706 |
| Bank balances and cash | 31 | 242,978 | 163,885 |
| | | 809,710 | 812,955 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*AT 31 DECEMBER 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 32 | 294,686 | 378,889 |
| Amount due to an associate | 27 | – | 543 |
| Amount due to a related company | 30 | – | 535 |
| Amounts due to directors | 29 | – | 969 |
| Tax liabilities | | 9,489 | 11,253 |
| Obligations under finance leases – due within one year | 33 | 549 | 584 |
| Bank borrowings | 34 | 148,865 | 165,446 |
| | | 453,589 | 558,219 |
| **Net current assets** | | 356,121 | 254,736 |
| **Total assets less current liabilities** | | 463,623 | 363,249 |
| **Non-current liabilities** | | | |
| Trade and other payables – due after one year | 32 | 2,483 | 1,565 |
| Obligations under finance leases – due after one year | 33 | 636 | 1,033 |
| Deferred tax liabilities | 35 | 14,941 | 13,391 |
| | | 18,060 | 15,989 |
| | | 445,563 | 347,260 |
| **Capital and reserves** | | | |
| Share capital | 36 | 41,500 | 20,670 |
| Reserves | | 375,783 | 299,248 |
| Net assets attributable to owners of the Company | | 417,283 | 319,918 |
| Non-controlling interests | 37 | 28,280 | 27,342 |
| **Total equity** | | 445,563 | 347,260 |

The consolidated financial statements on pages 35 to 109 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

**Mr. Lam Chun Chin, Spencer**
*DIRECTOR*

**Ms. Wong Pui Wah**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Capital reserve** | **Special 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$'000* (*Note c*) | *HK$'000* | *HK$'000* (*Note d*) | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2013 | 20,909 | – | 203 | – | – | 3,218 | 2,136 | 6,441 | 260,505 | 293,412 | 18,385 | 311,797 |
| Profit for the year | – | – | – | – | – | – | – | – | 46,447 | 46,447 | 8,528 | 54,975 |
| Revaluation increase on leasehold land and buildings | – | – | – | – | – | – | – | 2,735 | – | 2,735 | – | 2,735 |
| Deferred tax liability arising on revaluation of leasehold land and buildings | – | – | – | – | – | – | – | (406) | – | (406) | – | (406) |
| Share of reserve of associates | – | – | – | – | – | 4 | – | – | – | 4 | – | 4 |
| Share of reserve of joint ventures | – | – | – | – | – | 153 | – | – | – | 153 | – | 153 |
| Exchange difference arising from overseas operations | – | – | – | – | – | 2,449 | – | – | – | 2,449 | 805 | 3,254 |
| Total comprehensive income for the year | – | – | – | – | – | 2,606 | – | 2,329 | 46,447 | 51,382 | 9,333 | 60,715 |
| Shares issued (*note 36*) | 100 | – | – | – | – | – | – | – | – | 100 | – | 100 |
| Special reserve arising from Corporate Reorganisation (*note a*) | (339) | 241 | – | 98 | – | – | – | – | – | – | – | – |
| Disposal of a subsidiary (*note 38*) | – | – | – | – | – | – | – | – | – | – | (14) | (14) |
| Dividend paid to non-controlling interest | – | – | – | – | – | – | – | – | – | – | (362) | (362) |
| Dividends recognised as distribution | – | – | – | – | – | – | – | – | (24,976) | (24,976) | – | (24,976) |
| Transfer to statutory reserve | – | – | – | – | – | – | 909 | – | (909) | – | – | – |
| At 31 December 2013 | 20,670 | 241 | 203 | 98 | – | 5,824 | 3,045 | 8,770 | 281,067 | 319,918 | 27,342 | 347,260 |
| At 1 January 2014 | 20,670 | 241 | 203 | 98 | – | 5,824 | 3,045 | 8,770 | 281,067 | 319,918 | 27,342 | 347,260 |
| Profit for the year | – | – | – | – | – | – | – | – | 59,573 | 59,573 | 5,711 | 65,284 |
| Revaluation increase on leasehold land and buildings | – | – | – | – | – | – | – | 1,964 | – | 1,964 | – | 1,964 |
| Deferred tax liability arising on revaluation of leasehold land and buildings | – | – | – | – | – | – | – | (406) | – | (406) | – | (406) |
| Share of reserve of associates | – | – | – | – | – | (7) | – | – | – | (7) | – | (7) |
| Share of reserve of joint ventures | – | – | – | – | – | (581) | – | – | – | (581) | – | (581) |
| Exchange difference arising from overseas operations | – | – | – | – | – | (10,891) | – | – | – | (10,891) | (3,403) | (14,294) |
| Total comprehensive (expense) income for the year | – | – | – | – | – | (11,479) | – | 1,558 | 59,573 | 49,652 | 2,308 | 51,960 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Capital reserve** | **Special 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$'000* *(Note c)* | *HK$'000* | *HK$'000* *(Note d)* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Special reserve arising from Corporate Reorganisation *(note b)* | (20,480) | 315,989 | – | (295,509) | – | – | – | – | – | – | – | – |
| Capitalisation of shareholders' loan *(note 36d)* | 10 | 24,966 | – | – | – | – | – | – | – | 24,976 | – | 24,976 |
| Shares issued on the Capitalisation Issue *(note 36f)* | 29,800 | (29,800) | – | – | – | – | – | – | – | – | – | – |
| Shares issued upon public offer and international placing *(note 36g)* | 10,000 | 108,000 | – | – | – | – | – | – | – | 118,000 | – | 118,000 |
| Shares issued upon exercise of over-allotment option *(note 36h)* | 1,500 | 16,200 | – | – | – | – | – | – | – | 17,700 | – | 17,700 |
| Expenses incurred in connection with issue of shares | – | (15,258) | – | – | – | – | – | – | – | (15,258) | – | (15,258) |
| Lapse of options *(note c)* | – | – | – | – | (705) | – | – | – | – | (705) | 705 | – |
| Incorporation of a non-wholly owned subsidiary | – | – | – | – | – | – | – | – | – | – | 4 | 4 |
| Dividend paid to shareholders *(note 15)* | – | – | – | – | – | – | – | – | (97,000) | (97,000) | – | (97,000) |
| Dividend paid to non-controlling interest | – | – | – | – | – | – | – | – | – | – | (2,079) | (2,079) |
| Transfer to statutory reserve | – | – | – | – | – | – | 3,154 | – | (3,154) | – | – | – |
| At 31 December 2014 | 41,500 | 420,338 | 203 | (295,411) | (705) | (5,655) | 6,199 | 10,328 | 240,486 | 417,283 | 28,280 | 445,563 |

*Notes:*

(a) Special reserve represents the difference between the nominal amount of 500,000 shares of the Company amounting to HK$50,000 as consideration in exchange for the paid up capital of On Time Worldwide Logistics Limited ("OT BVI") amounting to HK$389,000 after elimination of share premium amounting to HK$241,000 as part of the Corporate Reorganisation (details are set out in note 1).

(b) Special reserve represents the difference between the aggregate net assets value of Citynet Logistics Worldwide Limited ("Citynet"), On Time Worldwide Logistics Limited ("OT WW HK"), On Time Shipping Line Limited ("OT SL HK"), On Union Management Limited ("On Union HK") and On Time Express Limited ("OT HK") amounting to HK$ 316,029,000 and the aggregate share capital of Citynet, OT WW HK, OT SL HK, OT Union HK and OT HK amounting to HK$20,520,000 as at 31 March 2014 on which the Company acquired the entire equity interest in Citynet, OT WW HK, OT SL HK, OT Union HK and OT HK by issue of 400,000 shares at HK$0.1 each upon Corporate Reorganisation (details are set out in note 1).

(c) The non-controlling interest at 1 January 2013 included the fair value of options classified as equity instruments amounting to HK$705,000, which are 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 is 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.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before taxation | | 91,747 | 74,047 |
| Adjustments for: | | | |
| Interest income | | (853) | (1,270) |
| Finance costs | | 4,961 | 4,757 |
| Share of results of associates | | 261 | 65 |
| Share of results of joint ventures | | (1,300) | (408) |
| Depreciation of property, plant and equipment | | 10,024 | 9,516 |
| Amortisation of intangible assets | | 3,137 | 2,629 |
| Loss on disposal of property, plant and equipment | | 498 | 355 |
| Impairment loss on trade receivables recognised, net | | 6,681 | 6,049 |
| Fair value changes of held for trading investments | | 42 | (1) |
| Loss arising from changes in fair value of derivative financial instrument | | – | 536 |
| Fair value changes of investment properties | | (492) | (456) |
| Loss on disposal of subsidiaries | 38 | – | 14 |
| Write down long outstanding payable | | (621) | (705) |
| Operating cash flows before movements in working capital | | 114,085 | 95,128 |
| Decrease (increase) in trade and bills receivables | | 55,255 | (116,736) |
| Decrease (increase) in other receivables, deposits and prepayments | | 5,012 | (15,683) |
| Decrease in derivative financial assets | | 51 | – |
| (Increase) decrease in amount due from a joint venture | | (2,364) | 3,721 |
| Increase in amounts due from associates | | (753) | – |
| (Decrease) increase in trade and other payables | | (77,927) | 39,875 |
| Decrease in amount due to an associate | | (543) | (1,561) |
| Cash generated from operations | | 92,816 | 4,744 |
| Income tax paid | | (24,503) | (13,923) |
| **Net cash from (used in) operating activities** | | 68,313 | (9,179) |
| **Investing activities** | | | |
| Interest received | | 853 | 1,270 |
| Purchase of property, plant and equipment | | (10,217) | (12,882) |
| Advance made on loan receivables | | – | (1,881) |
| Advance to directors | | (53,687) | – |
| Repayment from directors | | 15,263 | – |
| Advance to associates | | (4,970) | – |
| Repayment from (advance to) a joint venture | | 514 | (707) |
| Repayment from related companies | | 1,729 | – |
| Repayment from an associate | | 388 | – |
| Net cash from disposal of subsidiaries | 38 | – | (1,116) |
| Withdrawal of pledged bank deposits | | 2,395 | 8,469 |
| Placement of pledged bank deposits | | (9,881) | (10,494) |
| Payment for investment in an associate | | (311) | – |
| Purchases of intangible asset – trademarks | | (9,350) | – |
| Proceeds from disposal of property, plant and equipment | | 410 | 883 |
| **Net cash used in investing activities** | | (66,864) | (16,458) |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| **Financing activities** | | |
| (Decrease) increase in bank overdrafts | (7,257) | 3,481 |
| Increase in factoring loans | 1,163 | 20,190 |
| Interest paid | (4,961) | (4,757) |
| New bank loans obtained | 233,279 | 164,031 |
| Repayment of bank loans | (243,597) | (131,073) |
| Dividends paid to non-controlling interests of the subsidiaries | (2,079) | (362) |
| Dividends paid | (36,600) | (24,976) |
| Advance from directors | 24,976 | 51,713 |
| Repayment to directors | (969) | (48,708) |
| (Repayment to) advance from related companies | (535) | 456 |
| Repayment of obligations under finance leases | (880) | (1,462) |
| Capital injection from a non-controlling shareholder of a subsidiary | 4 | – |
| Proceeds from issue of shares | 135,700 | – |
| Payment for transactions costs attributable to issue of shares | (15,258) | – |
| **Net cash from financing activities** | 82,986 | 28,533 |
| **Net increase in cash and cash equivalents** | 84,435 | 2,896 |
| **Cash and cash equivalents at the beginning of the year** | 163,885 | 160,054 |
| Effect of foreign exchange rate changes | (5,342) | 935 |
| **Cash and cash equivalents at the end of the year** | 242,978 | 163,885 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Bank balances and cash | 242,978 | 163,885 |

## 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.

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

The Corporate Reorganisation completed on 31 March 2014 was regarded as a reorganisation of companies under common control. Accordingly, the Group resulting from the Corporate Reorganisation including the Company and its subsidiaries is regarded as a continuing entity. The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows included the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 December 2013 and 2014, or since their respective dates of incorporation, where it is a shorter period. The consolidated statement of financial position as at 31 December 2013 included the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at that date.

The Company acts as an investment holding company. The principal activities of associates, joint ventures and subsidiaries are set out in notes 21, 22 and 46 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC) – Int 21 | Levies |

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.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

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

The application of these amendments to HKAS 36 does not have a significant impact on the Group's consolidated financial statements.

At the date these consolidated financial statements were authorised for issuance, the HKICPA has issued the following new and revised HKFRSs that are not yet effective. The Group has not early applied these new and revised HKFRSs.

| | |
|---|---|
| HKFRS 9 | Financial Instruments[6] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| HKFRS 15 | Revenue from Contracts with Customers[5] |
| Amendments to HKAS 1 | Disclosure Initiative[3] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[3] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[3] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[3] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle[3] |

[1] Effective for accounting periods beginning on or after 1 July 2014.

[2] Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

[3] Effective for accounting periods beginning on or after 1 January 2016.

[4] Effective for first annual financial statements beginning on or after 1 January 2016.

[5] Effective for accounting periods beginning on or after 1 January 2017.

[6] Effective for accounting periods beginning on or after 1 January 2018.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

### 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 a '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 described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 each reporting date 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 directors of the Company consider that their application will affect the impairment assessment of the Group but is unlikely to have a material impact on the results and the financial position of the Group.

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 and by the Hong Kong Companies Ordinance which during the year continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of schedule 11 of the Hong Kong Companies Ordinance (Cap. 622).

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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 (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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation (Continued)

**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 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### Investments 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments in associates and joint ventures (Continued)

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' 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 two categories, including financial assets at fair value through profit or loss ("FVTPL"), 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

***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 at FVTPL are financial assets held for trading on initial recognition. 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.

***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, bill and other receivables, amounts due from/loan to related parties, associates, a joint venture, directors, 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 contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Financial assets (Continued)**

***Impairment of financial assets (Continued)***

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

***Financial liabilities***

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

***Derivative financial instrument***

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to its fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

#### 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.

#### 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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 expire. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference 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. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies (Continued)

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.

### 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.

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

### Key sources of estimation uncertainty (Continued)

**Estimated impairment losses on trade receivables**

The Group makes impairment losses on trade receivables (note 24) 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. 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 2014, the carrying amounts of trade receivables are HK$480,624,000 (2013: HK$549,476,000) (net of allowance for doubtful debts of HK$13,269,000 (2013: HK$9,886,000)).

**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. As at 31 December 2014, the carrying amount of goodwill is HK$16,065,000 (2013: HK$18,111,000). Details of the recoverable amount calculation are disclosed in note 19.

**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 2014 are HK$25,743,000 (2013: HK$21,773,000). 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 6, 17, 18, 25 and 26 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

### 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.

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

### Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured 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 measuring 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 of 25%.

## 5. 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 34, 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.

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2014**<br>*HK$'000* | **2013**<br>*HK$'000* |
|---|---|---|
| **Financial assets** | | |
| Held for trading investments | 1,044 | 1,086 |
| Derivative financial instruments | – | 51 |
| Loans and receivables (including cash and cash equivalents) | 773,679 | 775,937 |
| **Financial liabilities** | | |
| Amortised cost | 436,309 | 538,526 |
| Obligations under finance leases | 1,185 | 1,617 |

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

The Group's major financial instruments include held for trading investments, derivative financial instruments, loan receivables, trade and bills receivables, other receivables, amounts/loans due from (to) related parties, associates, a joint venture and directors, 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.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### (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 is also exposed to fair value interest rate risk primarily arising from fixed-rate loan receivables and loan to an associate for the year ended 31 December 2013.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the 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 balance 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$616,000 (2013: decrease/increase by HK$690,000) for the year ended 31 December 2014.

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. In addition, the Group entered into a structured forward contract with a bank. The derivative was not accounted for using hedge accounting. The Group was required to estimate the fair value of the foreign currency forward contract at 31 December 2013, which therefore also exposed the Group to currency risk. In management's opinion, the exposure of other price risk for the year ended 31 December 2013 was insignificant as the contract was settled in January 2014.

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.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

***Currency risk (Continued)***

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:

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| **Assets** | | |
| United States dollars ("US$") | 235,349 | 289,061 |
| Renminbi ("RMB") | 8,876 | 25,820 |
| Euro ("EUR") | 2,267 | 7,751 |
| Singapore dollars ("SGD") | 146 | 81 |
| Indonesian rupiah ("IDR") | 1,154 | 1,834 |
| Canadian dollars ("CAD") | 870 | 889 |
| **Liabilities** | | |
| US$ | 27,235 | 21,539 |
| RMB | 498 | 2,537 |
| EUR | 2,020 | 3,425 |
| IDR | 355 | 288 |
| CAD | 33 | – |
| British pound sterling ("GBP") | 1,200 | 1,266 |

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**

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| US$ | (57,680) | (104,541) |
| RMB | 20,790 | (79,010) |
| EUR | (435) | (3,864) |

**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.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

***Currency risk (Continued)***

**Increase (decrease) in the profit**

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| US$ impact | (2,427) | (1,278) |
| RMB impact | (2,059) | 4,137 |
| EUR impact | 13 | (34) |

***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 profit after tax for the year ended 31 December 2014 would increase/decrease by HK$61,000 (2013: HK$63,000).

#### (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; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 42.

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.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### (ii) Credit risk (Continued)

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.

At 31 December 2013, the loan receivables represented loans to an employee and an overseas agent. The loan receivables were subsequently settled in 2014.

For the amounts due from a joint venture, associates and related parties and loans to an associate and related parties, the management of the Group closely monitors the financial position and repayment status of the related parties. The amounts due from related parties were fully settled in 2014.

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$194,981,000 (2013: HK$46,987,000) as at 31 December 2014.

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.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of the derivative financial instruments.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### (iii) Liquidity risk (Continued)

| | Weighted average effective interest rate | On demand | Less than 6 months | 6 months to 1 year | Over 1 year | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **31.12.2014** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | – | 22,507 | 262,454 | – | 2,483 | 287,444 | 287,444 |
| Bank borrowings | 3.12 | 148,865 | – | – | – | 148,865 | 148,865 |
| Obligations under finance leases | 1.62 | – | 287 | 316 | 673 | 1,276 | 1,185 |
| | | 171,372 | 262,741 | 316 | 3,156 | 437,585 | 437,494 |

| | Weighted average effective interest rate | On demand | Less than 6 months | 6 months to 1 year | Over 1 year | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **31.12.2013** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | – | 35,666 | 333,802 | – | 1,565 | 371,033 | 371,033 |
| Amount due to an associate | – | 543 | – | – | – | 543 | 543 |
| Amounts due to related companies | – | 535 | – | – | – | 535 | 535 |
| Amount due to directors | – | 969 | – | – | – | 969 | 969 |
| Bank borrowings | 3.23 | 165,446 | – | – | – | 165,446 | 165,446 |
| Obligations under finance leases | 2.66 | – | 472 | 172 | 1,131 | 1,775 | 1,617 |
| Financial guarantee contract | – | – | 916 | – | – | 916 | – |
| | | 203,159 | 335,190 | 172 | 2,696 | 541,217 | 540,143 |

The amounts included above for financial guarantee contract is the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. Details of the financial guarantee contract are disclosed in note 42.

The Group did not enter any financial guarantee contract during 31 December, 2014.

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.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### (iii) Liquidity risk (Continued)

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

| | Less than 6 months | 6 months to 1 year | Over 1 year | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| As at 31 December 2014 | 42,872 | – | – | 42,872 | 42,640 |
| As at 31 December 2013 | 37,867 | 2,594 | 13,710 | 54,171 | 52,958 |

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 | Level 2 | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 December 2014** | | | |
| Held for trading investments | 1,044 | – | 1,044 |
| **At 31 December 2013** | | | |
| Held for trading investments | 1,086 | – | 1,086 |
| Derivative financial instrument | – | 51 | 51 |

There were no transfers between Levels 1 and 2 during the year.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value measurements of financial instruments (Continued)

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

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** | | **Fair value hierarchy** | **Valuation technique(s) and key input(s)** |
|---|---|---|---|---|
| | **2014** | 2013 | | |
| | *HK$'000* | *HK$'000* | | |
| Held for trading investments – Quoted investment fund *(note 25)* | 1,044 | 1,086 | Level 1 | Quoted market bid price |
| Derivative financial instrument – Foreign currency forward contract *(note 26)* | – | 51 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflected the credit risk of various counterparties. |

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.

## 7. REVENUE

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

## 8. 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. |

## 8. SEGMENT INFORMATION

### (a) Segment revenue and results

| | Segment revenue | | Segment results | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Operating and reportable segments | | | | |
| Air freight | 2,375,490 | 2,154,586 | 247,576 | 200,425 |
| Ocean freight | 974,528 | 897,240 | 116,385 | 127,242 |
| General sales agency | 3,164 | 3,593 | 2,044 | 1,511 |
| Logistics | 45,094 | 58,237 | 12,008 | 13,966 |
| Others | 69,785 | 47,634 | 13,330 | 11,509 |
| Total | 3,468,061 | 3,161,290 | 391,343 | 354,653 |
| Other income | | | 5,109 | 4,818 |
| Other gains or losses | | | (4,529) | (227) |
| Unallocated corporate expenses | | | (296,254) | (280,783) |
| Share of loss of associates | | | (261) | (65) |
| Share of profit of joint ventures | | | 1,300 | 408 |
| Finance costs | | | (4,961) | (4,757) |
| Profit before taxation | | | 91,747 | 74,047 |

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 loss of associates, share of 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:

| | Turnover from external customers | |
|---|---|---|
| | **2014** | **2013** |
| | *HK$'000* | *HK$'000* |
| Hong Kong | 1,428,822 | 1,398,665 |
| People's Republic of China ("PRC") | 615,923 | 435,308 |
| Korea | 89,762 | 91,334 |
| Vietnam | 80,787 | 59,488 |
| Other Asian regions | 360,652 | 375,086 |
| The Netherlands | 482,745 | 425,275 |
| United States of America ("USA") | 373,927 | 332,245 |
| Canada | 35,443 | 43,889 |
| | 3,468,061 | 3,161,290 |

## 8. SEGMENT INFORMATION (CONTINUED)

### (c) Geographical information (Continued)

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

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Hong Kong | 46,944 | 40,957 |
| PRC | 11,035 | 11,443 |
| Indonesia | 1,140 | 815 |
| Malaysia | 916 | 1,435 |
| Other Asian regions | 2,338 | 2,325 |
| The Netherlands | 37,502 | 44,677 |
| USA | 2,329 | 2,236 |
| Canada | 10 | 33 |
| | 102,214 | 103,921 |

*Note:* Non-current assets exclude interests in associates, interests in joint ventures 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.

## 9. OTHER INCOME

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Interest income on: | | |
| – bank deposits | 703 | 991 |
| – loan to an associate | 7 | 21 |
| – loan receivables | 143 | 258 |
| Rental income | 454 | 462 |
| Management fee income | 441 | 164 |
| IT service income | 140 | 137 |
| Trademarks income | 372 | 249 |
| Write-down long outstanding payables | 621 | 705 |
| Sundry income | 2,228 | 1,831 |
| Total | 5,109 | 4,818 |

## 10. OTHER GAINS OR LOSSES

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| Loss on disposal of subsidiaries *(note 38)* | – | (14) |
| Loss on disposal of property, plant and equipment | (498) | (355) |
| (Loss) gain arising from changes in fair value of held for trading investments | (42) | 1 |
| Income from derivative financial instrument | – | 786 |
| Loss arising from changes in fair value of derivative financial instrument | – | (536) |
| Fair value gain on investment properties | 492 | 456 |
| Net foreign exchange loss | (4,481) | (565) |
| | (4,529) | (227) |

## 11. FINANCE COSTS

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| Interest on | | |
| – bank borrowings wholly repayable within five years | 4,883 | 4,670 |
| – obligations under finance leases | 78 | 87 |
| | 4,961 | 4,757 |

## 12. INCOME TAX EXPENSE

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Current tax: | | |
| – Hong Kong Profits Tax | 5,001 | 4,928 |
| – Enterprise Income Tax in the PRC | 5,267 | 3,489 |
| – Dutch Corporate Income Tax | 3,885 | 5,043 |
| – Indian Corporate Income Tax | 460 | 659 |
| – Indonesian Corporate Income Tax | 299 | 318 |
| – Vietnam Corporate Income Tax | 1,581 | 1,403 |
| – Other jurisdictions | 1,957 | 1,653 |
| | 18,450 | 17,493 |
| (Over) underprovision in respect of prior years | | |
| – Hong Kong Profits Tax | (398) | – |
| – Enterprise Income Tax in the PRC | 5,884 | – |
| – Indian Corporate Income Tax | 341 | – |
| – Vietnam Corporate Income Tax | – | (194) |
| – Other jurisdictions | 250 | 85 |
| | 6,077 | (109) |
| Deferred taxation *(note 35)* | | |
| – Current year | 920 | 1,688 |
| – Underprovision in prior years | 1,016 | – |
| | 1,936 | 1,688 |
| | 26,463 | 19,072 |

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.

Indonesian Corporate Income Tax is calculated at 25% of the estimated assessable profit in both financial years.

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.

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.

## 12. INCOME TAX EXPENSE (CONTINUED)

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 35.

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

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit before taxation | 91,747 | 74,047 |
| Tax at the Hong Kong Profits Tax rate of 16.5% | 15,138 | 12,218 |
| Tax effect of expenses not deductible for tax purposes | 1,743 | 2,870 |
| Tax effect of income not taxable for tax purposes | (2,977) | (1,068) |
| Tax effect of share of results of associates | 43 | 11 |
| Tax effect of share of results of joint ventures | (214) | (67) |
| Effect on tax exemption granted | (191) | (375) |
| Tax effect of tax losses not recognised | 1,552 | 1,014 |
| Utilisation of tax losses previously not recognised | (911) | (1,068) |
| Under (over) provision in respect of prior years | 7,093 | (109) |
| Tax effect of deductible temporary differences not recognised | – | 73 |
| Effect of different tax rates of group entities operating in different jurisdictions other than Hong Kong | 3,423 | 3,637 |
| Withholding tax on undistributed earnings | 1,731 | 1,927 |
| Others | 33 | 9 |
| Tax charge for the year | 26,463 | 19,072 |

## 13. PROFIT FOR THE YEAR

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditors' remuneration | 6,015 | 4,407 |
| Depreciation of property, plant and equipment | 10,024 | 9,516 |
| Amortisation of intangible assets | 3,137 | 2,629 |
| Impairment loss on trade receivables recognised | 7,977 | 7,479 |
| Reversal of impairment loss on trade receivables | (1,296) | (1,430) |
| Operating lease rentals in respect of rented premises and motor vehicles | 38,414 | 38,003 |
| Staff costs | | |
| Directors' emoluments *(note 14)* | 11,067 | 4,418 |
| Other staff costs | | |
| Staff costs excluding retirement benefit contributions | 225,296 | 216,240 |
| Retirement benefit contributions | 23,310 | 18,035 |
| Total staff costs | 259,673 | 238,693 |
| Gross rental income from investment properties | 454 | 462 |
| Less: outgoings incurred which did not generate rental income | (58) | (45) |
| | 396 | 417 |

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

### Directors' emoluments

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Directors' fees | 380 | – |
| Other emoluments for non-executive directors and independent non-executive directors | – | – |
| Other emoluments for executive directors | | |
| – basic salary and allowances | 5,844 | 1,652 |
| – performance bonus *(note)* | 3,358 | 1,703 |
| – director's quarter | 1,020 | 1,020 |
| – retirement benefit contributions | 465 | 43 |
| | 11,067 | 4,418 |

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

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### Directors' emoluments (Continued)

**Year ended 31 December 2014**

| Name of director | Directors' fees | Basic salaries and allowances | Performance bonus | Director's quarter | Retirement benefit contributions | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive directors** | | | | | | |
| Mr. Lam | – | 358 | 940 | 1,020 | 13 | 2,331 |
| Mr. Haenisch | – | 1,163 | 650 | – | – | 1,813 |
| Ms. Cheung Ching Wa, Camy (“Ms. Cheung”) | – | 1,001 | 584 | – | 17 | 1,602 |
| Ms. Wong Pui Wah (“Ms. Wong”) | – | 923 | 323 | – | 17 | 1,263 |
| Mr. Dennis Ronald de Wit | 95 | 2,399 | 861 | – | 418 | 3,773 |
| **Independent non-executive directors** | | | | | | |
| Mr. Ng Wai Hung | 95 | – | – | – | – | 95 |
| Mr. Poon Ka Lee, Barry | 95 | – | – | – | – | 95 |
| Mr. Wong See Ho | 95 | – | – | – | – | 95 |
| | 380 | 5,844 | 3,358 | 1,020 | 465 | 11,067 |

**Year ended 31 December 2013**

| Name of director | Directors' fees | Basic salaries and allowances | Performance bonus | Director's quarter | Retirement benefit contributions | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive directors** | | | | | | |
| Mr. Lam | – | 358 | 940 | 1,020 | 13 | 2,331 |
| Mr. Haenisch | – | 1,170 | 700 | – | 15 | 1,885 |
| Ms. Cheung | – | 32 | 19 | – | 1 | 52 |
| Ms. Wong | – | 29 | 10 | – | 1 | 40 |
| Mr. Dennis Ronald de Wit | – | 63 | 34 | – | 13 | 110 |
| | – | 1,652 | 1,703 | 1,020 | 43 | 4,418 |

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.

The independent non-executive directors were appointed by the Company on 20 June 2014.

During the year ended 31 December 2014, the Group paid management fee of approximately HK$1.7 million (2013: nil) 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.

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### Employees' emoluments

#### Five highest paid individuals

The five highest paid individuals included 2 directors (2013: 2) whose emoluments were included in the disclosure above. The emoluments of the remaining 3 (2013: 3) highest paid individuals are as follows:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Employees | | |
| – basic salaries and allowances | 5,467 | 6,157 |
| – bonus | 430 | 996 |
| – retirement benefit contributions | 139 | 402 |
| | 6,036 | 7,555 |

Their emoluments were within the following bands:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Below HK$1,500,001 | – | – |
| HK$1,500,001 to HK$2,000,000 | 1 | – |
| HK$2,000,001 to HK$2,500,000 | 2 | 2 |
| HK$2,500,001 to HK$3,000,000 | – | – |
| HK$3,000,001 to HK$3,500,000 | – | 1 |

During the years ended 31 December 2014 and 31 December 2013, 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 2014, the Group paid management fees of HK$4,190,000 (2013: HK$4,309,000) 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.

## 15. DIVIDEND

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

A final dividend in respect of HK1.60 cents per share totaling HK$6,640,000 for the year ended 31 December 2014 has been proposed by the Directors of the Company and is subject to approval by the shareholders in the annual general meeting.

## 16. EARNINGS PER SHARE

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company) | 59,573 | 46,447 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 347,958,904 | 285,000,000 |
| Effect of dilutive potential ordinary shares on over-allotment option | 154,481 | |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 348,113,385 | |

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 347,958,904 (2013: 285,000,000) ordinary shares in issue during the year on the assumption that the Corporate Reorganisation has been effective on 1 January 2013 and has been retrospectively adjusted to reflect the capitalisation issue of 298,000,000 ordinary shares of HK$0.10 each of the Company in July 2014.

No diluted earnings per share has been presented for the year ended 31 December 2013 as there was no outstanding potential ordinary share in 2013.

## 17. INVESTMENT PROPERTIES

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At the beginning of the year | 7,809 | 7,117 |
| Net increase in fair value recognised in profit or loss | 492 | 456 |
| Exchange realignment | (42) | 236 |
| At the end of the year | 8,259 | 7,809 |

The fair value of the Group's investment properties situated outside of Hong Kong under medium-term leases at 31 December 2014 and 31 December 2013 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 are categorised into level 3 and there were no transfers into or out of Level 3 during the year.

## 18. 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 2013 | 20,982 | 20,919 | 14,423 | 11,082 | 7,037 | 74,443 |
| Additions | – | 8,020 | 1,972 | 2,723 | 1,246 | 13,961 |
| Revaluation | 2,130 | – | – | – | – | 2,130 |
| Disposals | – | (2,827) | (573) | (780) | (1,877) | (6,057) |
| Exchange realignment | 696 | 133 | 196 | 76 | (3) | 1,098 |
| At 31 December 2013 | 23,808 | 26,245 | 16,018 | 13,101 | 6,403 | 85,575 |
| Additions | – | 4,140 | 3,272 | 2,828 | 427 | 10,667 |
| Revaluation | 1,286 | – | – | – | – | 1,286 |
| Disposals | – | (559) | (356) | (1,677) | (988) | (3,580) |
| Exchange realignment | (128) | (394) | (844) | (66) | (49) | (1,481) |
| At 31 December 2014 | 24,966 | 29,432 | 18,090 | 14,186 | 5,793 | 92,467 |
| Comprising: | | | | | | |
| 31 December 2014 | | | | | | |
| At cost | – | 29,432 | 18,090 | 14,186 | 5,793 | 67,501 |
| At valuation | 24,966 | – | – | – | – | 24,966 |
| | 24,966 | 29,432 | 18,090 | 14,186 | 5,793 | 92,467 |
| Comprising: | | | | | | |
| 31 December 2013 | | | | | | |
| At cost | – | 26,245 | 16,018 | 13,101 | 6,403 | 61,767 |
| At valuation | 23,808 | – | – | – | – | 23,808 |
| | 23,808 | 26,245 | 16,018 | 13,101 | 6,403 | 85,575 |
| DEPRECIATION | | | | | | |
| At 1 January 2013 | – | 12,216 | 7,067 | 6,919 | 3,719 | 29,921 |
| Charge for the year | 597 | 3,744 | 2,224 | 1,727 | 1,224 | 9,516 |
| Elimination on revaluation | (605) | – | – | – | – | (605) |
| Eliminated on disposals | – | (2,515) | (412) | (528) | (1,364) | (4,819) |
| Exchange realignment | 8 | 86 | 122 | 30 | 23 | 269 |
| At 31 December 2013 | – | 13,531 | 9,001 | 8,148 | 3,602 | 34,282 |
| Charge for the year | 678 | 4,340 | 2,155 | 1,780 | 1,071 | 10,024 |
| Elimination on revaluation | (678) | – | – | – | – | (678) |
| Eliminated on disposals | – | (502) | (331) | (1,196) | (643) | (2,672) |
| Exchange realignment | – | (179) | (389) | (31) | (37) | (636) |
| At 31 December 2014 | – | 17,190 | 10,436 | 8,701 | 3,993 | 40,320 |
| CARRYING VALUES | | | | | | |
| At 31 December 2014 | 24,966 | 12,242 | 7,654 | 5,485 | 1,800 | 52,147 |
| At 31 December 2013 | 23,808 | 12,714 | 7,017 | 4,953 | 2,801 | 51,293 |

## 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2014 and 31 December 2013 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 under medium-term leases. 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 are 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:

| | **2014** | **2013** |
|---|---:|---:|
| | *HK$'000* | *HK$'000* |
| Cost | 13,249 | 13,275 |
| Accumulated depreciation | (1,763) | (1,407) |
| Carrying value | 11,486 | 11,868 |

## 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Motor vehicles | 929 | 1,671 |
| Furniture and equipment | 464 | 194 |
| | 1,393 | 1,865 |

## 19. GOODWILL

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At the beginning of the year | 18,111 | 17,443 |
| Exchange realignment | (2,046) | 668 |
| At the end of the year | 16,065 | 18,111 |

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 (2013: 5-year period) and discount rate of 16.73% (2013: 17.74%). 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.

## 20. INTANGIBLE ASSETS

| | **Customer list** *HK$'000* | **Trademarks** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| COST | | | |
| At 1 January 2013 | 27,524 | – | 27,524 |
| Exchange realignment | 1,053 | – | 1,053 |
| At 31 December 2013 | 28,577 | – | 28,577 |
| Additions | – | 9,350 | 9,350 |
| Exchange realignment | (3,228) | – | (3,228) |
| At 31 December 2014 | 25,349 | 9,350 | 34,699 |
| AMORTISATION | | | |
| At 1 January 2013 | 3,932 | – | 3,932 |
| Charge for the year | 2,629 | – | 2,629 |
| Exchange realignment | 243 | – | 243 |
| At 31 December 2013 | 6,804 | – | 6,804 |
| Charge for the year | 2,631 | 506 | 3,137 |
| Exchange realignment | (985) | – | (985) |
| At 31 December 2014 | 8,450 | 506 | 8,956 |
| CARRYING VALUES | | | |
| At 31 December 2014 | 16,899 | 8,844 | 25,743 |
| At 31 December 2013 | 21,773 | – | 21,773 |

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 2012 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.

## 21. INTERESTS IN ASSOCIATES

| | **2014** | **2013** |
|---|---:|---:|
| | *HK$'000* | *HK$'000* |
| Cost of investments, unlisted | 1,109 | 798 |
| Share of post-acquisition losses and other comprehensive expenses, net of dividends received | (557) | (289) |
| Impairment loss recognised | (448) | (448) |
| | 104 | 61 |

Particulars of associates at 31 December 2014 and 31 December 2013 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 2014** | **2013** | **Principal activity** |
|---|---|---|---:|---:|---|
| Fashion Care Logistics B.V. | The Netherlands | Ordinary | 25% | 25% | Inactive |
| On Time Worldwide Logistics Limited (formerly known as Connecting Continents Logistics Ltd.) ("OT Bangladesh") | Bangladesh | Ordinary | 49% | 49% | Provision of freight forwarding services |
| On Time Worldwide Logistics L.L.C. ("OT WW Dubai") | United Arab Emirates | Ordinary | 49% *(note)* | N/A | Provision of freight forwarding services |

*Note:* On 16 February 2014, OT WW Dubai was incorporated in the Emirate of Dubai, United Arab Emirates, as a limited liability company with an authorised and issued share capital of AED300,000 divided into 300 shares of AED1,000 each. On the same date, the Company acquired 49% of the issued share capital of OT WW Dubai at a consideration AED147,000 (equivalent to HK$311,000) .

## 21. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate financial information of associates that is not individually material:

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| The Group's share of losses of associates for the year | (261) | (65) |
| The Group's share of other comprehensive (expense) income of associates for the year | (7) | 4 |
| The Group's share of total comprehensive expense | (268) | (61) |
| Aggregate carrying amount of the Group's interests in associates | 104 | 61 |

**Unrecognised share of losses of an associate**

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| The unrecognised share of loss of an associate for the year | – | 200 |
| Cumulative unrecognised share of losses of an associate for the year | 111 | 200 |

## 22. INTERESTS IN JOINT VENTURES

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Cost of investments, unlisted | 2,880 | 2,880 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | 2,032 | 1,313 |
| | 4,912 | 4,193 |

Particulars of the joint ventures at 31 December 2014 and 31 December 2013 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 2014** | **2013** | **Principal activity** |
|---|---|---|---|---|---|
| On Time Worldwide Express B.V. | The Netherlands | Ordinary | 50% | 50% | Inactive |
| OTX Logistics Rotterdam B.V. | The Netherlands | Ordinary | 37.5% | 37.5% | Provision of freight forwarding services |

## 22. INTERESTS IN JOINT VENTURES (CONTINUED)

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

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| The Group's share of profit | 1,300 | 408 |
| The Group's share of other comprehensive (expense) income | (581) | 153 |
| The Group's share of total comprehensive income | 719 | 561 |
| Aggregate carrying amount of the Group's interest in joint ventures | 4,912 | 4,193 |

There are no unrecognised share of losses of the joint ventures in both years.

## 23. LOAN RECEIVABLES

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Fixed-rate loan receivables | – | 6,615 |
| Interest-free loan receivables | – | 350 |
| | – | 6,965 |
| Analysed as: | | |
| – current | – | 2,131 |
| – non-current | – | 4,834 |
| | – | 6,965 |

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's fixed-rate loan receivables for year ended 31 December 2013 were from 2.75% to 5.5% per annum. All loan receivables were unsecured.

During the year ended 31 December 2014, the loan receivables were settled upon successful listing of the Company.

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

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| RMB | – | 3,997 |
| EUR | – | 2,131 |

## 24. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | 493,893 | 559,362 |
| Less: allowance for doubtful debts | (13,269) | (9,886) |
| | 480,624 | 549,476 |
| Bills receivable | – | 405 |
| | 480,624 | 549,881 |
| Analysed as: | | |
| – current | 480,624 | 549,780 |
| – non-current | – | 101 |
| | 480,624 | 549,881 |

The Group allows an average credit period of 30 days to its trade customers with the exception of a trade customer where the credit period of 52 months is granted under a debt restructuring arrangement and will be fully repaid within one year from 31 December 2014. The following is an aged analysis of trade and bills 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:

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 – 30 days | 222,751 | 265,282 |
| 31 – 60 days | 173,343 | 184,993 |
| 61 – 90 days | 53,114 | 60,761 |
| 91 – 180 days | 21,125 | 26,709 |
| Over 180 days | 10,291 | 12,136 |
| | 480,624 | 549,881 |

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.

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

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Overdue | | |
| 0 – 30 days | 173,343 | 184,993 |
| 31 – 60 days | 53,114 | 60,761 |
| 61 – 150 days | 21,125 | 26,709 |
| Over 150 days | 10,291 | 12,136 |
| | 257,873 | 284,599 |

## 24. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Balance at the beginning of the year | 9,886 | 4,396 |
| Impairment losses recognised | 7,977 | 7,479 |
| Amounts written off | (2,902) | (637) |
| Reversal of impairment losses | (1,296) | (1,430) |
| Exchange realignment | (396) | 78 |
| Balance at the end of the year | 13,269 | 9,886 |

As at 31 December 2014 and 31 December 2013, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$13,269,000 and HK$9,886,000 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:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Club debenture | 284 | 320 |
| Other deposits | 13,403 | 15,217 |
| Other receivables | 28,686 | 31,124 |
| Other tax receivables | 1,935 | 1,539 |
| Prepayments | 10,433 | 15,590 |
| Rental deposits | 8,043 | 5,738 |
| | 62,784 | 69,528 |

Included in other receivables are receivables relating to freight forwarding services rendered but not yet billed to customers of HK$25,594,000 and HK$29,037,000 at 31 December 2014 and 31 December 2013, respectively.

## 24. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| 0 – 30 days | 25,594 | 29,037 |

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

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| US$ | 170,751 | 235,622 |
| RMB | 5,780 | 21,450 |
| EUR | 909 | 3,089 |
| SGD | – | 22 |
| RM | 7 | – |
| IDR | 582 | 1,651 |
| CAD | 120 | 36 |

### Transfers of financial assets

The followings were the Group's trade receivables as at 31 December 2014 and 31 December2013 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 34).

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

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| Carrying amount of transferred assets | 119,927 | 118,737 |
| Carrying amount of associated liabilities | (96,280) | (95,225) |
| Net position | 23,647 | 23,512 |

## 25. 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.

## 26. DERIVATIVE FINANCIAL INSTRUMENT

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Derivative financial instrument | | |
| – assets | – | 51 |

During the year ended 31 December 2013, the Group entered into a structured forward contract with a bank. This derivative is not accounted for using hedge accounting. The contract which was subject to net settlement matured on 6 January 2014.

The major terms of the derivative financial instrument as at 31 December 2013 are as follow:

### Structured forward contract

| **Notional amount 1** | **Notional amount 2** | **Forward rate** | **Settlement date** |
|---|---|---|---|
| US$500,000 | US$1,000,000 | RMB6.50/US$ and RMB6.42/US$ | Specified date in each month between 5 January 2012 to 6 January 2014 |

The fair value of the foreign currency forward contract is measured at the present value of future cash flows estimated using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

The derivative financial instrument is denominated in US$, which is other than the functional currency of the relevant group entity.

## 27. LOAN TO AN ASSOCIATE/AMOUNTS DUE FROM (TO) ASSOCIATES

The loan to an associate, OT Bangladesh, amounting to HK$388,000 as at 31 December 2013 was unsecured, repayable on demand and carried interest at 5.5% per annum. The amount was settled during the year ended 31 December 2014.

The loan to an associate is denominated in the following currency other than the functional currencies of respective group entity:

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| US$ | – | 388 |

As at 31 December 2014, the amounts due from associates, include an amount of HK$4,970,000 (2013: nil) as at 31 December 2014 which is 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 associates. The credit period granted by the associates to the Group is within 30 days. Trade balances due from (to) associates are unsecured and interest-free. The following is an aged analysis of trade balances due from (to) associates, based on the invoice date at the end of the reporting period:

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| 0 – 60 days | 753 | (543) |

The amounts due from 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:

| | **2014** *HK$'000* | **2013** *HK$'000* |
|---|---|---|
| US$ | 3,347 | (543) |

## 28. AMOUNT DUE FROM A JOINT VENTURE

Other than set out below, the amount due from a joint venture, amounting to HK$290,000 (2013: HK$860,000) as at 31 December 2014, is non-trade related, unsecured, interest-free and repayable on demand.

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

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 – 30 days | 3,515 | 2,250 |
| 31 – 60 days | 774 | 98 |
| 61 – 90 days | – | 40 |
| | 4,289 | 2,388 |

Aging of trade balance due from a joint venture which are past due but not impaired:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Overdue | | |
| 0 – 30 days | 774 | 98 |
| 31 – 60 days | – | 40 |
| | 774 | 138 |

The Group has not provided any allowance for doubtful debts for the joint venture as the management of the Group considers that those receivable is recoverable based on the good payment record of the a joint venture.

The balance due from joint venture is denominated in the following currencies other than the functional currency of the group entity:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| US$ | 4,470 | 2,369 |

## 29. AMOUNTS DUE FROM (TO) DIRECTORS

The balances due from directors as disclosed pursuant to Hong Kong Companies Ordinance are as follows:

| | | | Maximum amount outstanding during the year ended | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Mr. Lam | – | 6,319 | 29,485 | 23,762 |
| Mr. Haenisch | – | 8,692 | 20,299 | 17,488 |
| | – | 15,011 | | |

The amounts due to directors are as follows:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Mr. Lam | – | – |
| Ms. Cheung | – | 945 |
| Ms. Wong | – | 24 |
| | – | 969 |

The amounts due from (to) directors are non-trade, unsecured, interest-free and settled upon the listing of the Company.

All the balances due from (to) directors are denominated in the functional currencies of respective group entities.

## 30. AMOUNTS DUE FROM (TO) RELATED COMPANIES/LOAN TO A RELATED COMPANY

Current accounts and loans to companies controlled by directors disclosed pursuant to Hong Kong Companies Ordinance are as follows:

| | | | Maximum amount outstanding during the year ended | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Amounts due from related companies | | | | |
| First Choice International Limited *(note i)* | – | 1,042 | 1,042 | 1,042 |
| On Choice International Limited *(note i)* | – | 2 | 2 | 2 |
| Golden Strike International Limited *(note i)* | – | 4 | 4 | 4 |
| Polaris International Holding Limited *(note ii)* | – | 4 | 4 | 4 |
| | – | 1,052 | | |
| Loan to a related company | | | | |
| Wellport Limited *(note i)* | – | 677 | 677 | 677 |

All amounts due from related companies and loan to a related company were non-trade related, unsecured, interest-free and repayable on demand. The balances were settled upon the listing of the Company.

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Amount due to a related company – non-trade | | |
| On Good Development Limited *(note i)* | – | 535 |

The balance was unsecured, interest-free and repayable on demand and settled upon the listing of the Company.

All the balances due from (to) related companies are denominated in the functional currencies of respective group entities.

*Notes:*

(i) A company in which Mr. Lam, a director of the Company, has a controlling interest.

(ii) A company in which Mr. Haenisch, a director of the Company, has a controlling interest.

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

Pledged bank deposits of HK$11,088,000 (2013: HK$3,706,000) are pledged as securities in favour of banks facilities. The average effective interest rate of pledged bank deposits was 1.09% (2013: 2.66%) per annum as at 31 December 2014.

Bank balances as at 31 December 2014 carry interests at market rates which range from 0% to 8.25% (2013: 0% to 8.10%) 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:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| US$ | 55,737 | 49,545 |
| RMB | 3,096 | 373 |
| EUR | 1,358 | 2,531 |
| SGD | 146 | 59 |
| IDR | 572 | 183 |
| CAD | 750 | 889 |
| GBP | 57 | 58 |

## 32. TRADE AND OTHER PAYABLES

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | 229,988 | 295,569 |
| Other payables and accrued charges | 60,744 | 76,730 |
| Deposit received | 6,249 | 6,343 |
| Advance from employees | 188 | 1,812 |
| | 297,169 | 380,454 |
| Analysed as: | | |
| – current | 294,686 | 378,889 |
| – non-current | 2,483 | 1,565 |
| | 297,169 | 380,454 |

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.

## 32. TRADE AND OTHER PAYABLES (CONTINUED)

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

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 60 days | 207,481 | 259,903 |
| 61 – 180 days | 17,858 | 30,919 |
| 181 – 365 days | 1,225 | 1,933 |
| 1 – 2 years | 3,424 | 2,814 |
| | 229,988 | 295,569 |

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

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| US$ | 25,933 | 20,996 |
| RMB | 498 | 2,537 |
| EUR | 2,020 | 3,425 |
| CAD | 33 | – |
| IDR | 355 | 288 |
| GBP | 1,200 | 1,266 |

## 33. OBLIGATIONS UNDER FINANCE LEASES

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Amounts payable under finance leases: | | | | |
| Within one year | 603 | 644 | 549 | 584 |
| In more than one year but not more than two years | 428 | 697 | 401 | 638 |
| In more than two years but not more than five years | 245 | 344 | 235 | 307 |
| In more than five years | – | 90 | – | 88 |
| | 1,276 | 1,775 | 1,185 | 1,617 |
| Less: future finance charges | (91) | (158) | – | – |
| Present value of lease obligations | 1,185 | 1,617 | 1,185 | 1,617 |
| Less: Amount due from settlement within one year (shown under current liabilities) | | | (549) | (584) |
| Amount due for settlement after one year | | | 636 | 1,033 |

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 0.42% to 6.12% (2013:2.15% to 6.12%) per annum as at 31 December 2014.

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

## 34. BANK BORROWINGS

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| Secured: | | |
| – bank overdrafts | 9,945 | 17,263 |
| – bank loans | 42,640 | 52,958 |
| – factoring loans | 96,280 | 95,225 |
| | 148,865 | 165,446 |

The borrowings are repayable:

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| Carrying amounts of bank borrowings that contain a repayment on demand clause: | | |
| *Analysed based on original repayment schedule* | | |
| Repayable within one year from the end of reporting period | 42,640 | 39,758 |
| Not repayable within one year from end of reporting period but shown under current liabilities | – | 13,200 |
| | 42,640 | 52,958 |
| Repayable on demand | 106,225 | 112,488 |
| Less: Amount due within one year shown under current liabilities | (148,865) | (165,446) |
| Amount due after one year | – | – |

The Group's bank borrowings carry interest variable to Hong Kong Interbank Offered Rate, Hong Kong Best Lending Rate, HKD Money Market Saving Debit Interest Base Rate, Korea Best Lending Rate, Singapore Interbank Offered Rate, Malaysia Base Lending Rate and London Interbank Offered Rate. As at 31 December 2014, the effective interest rates range from 2.41% to 8.35% (2013: 2.71% to 8.10%) 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:

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| US$ | 1,302 | – |

As at 31 December 2014, the above bank borrowings are secured by pledged bank deposits of HK$11,088,000 and trade receivables of HK$119,927,000.

As at 31 December 2013, the above bank borrowings are secured by (i) pledged bank deposits of HK$3,706,000, (ii) the properties held by related companies with common directors, (iii) the guarantees provided by Mr. Lam and Mr. Haenisch to the extent of HK$267 million, and (iv) trade receivables of HK$118,737,000.

## 35. DEFERRED TAXATION

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

| | Accelerated tax depreciation | Intangible assets | Revaluation of properties | Withholding tax on undistributed earnings | Others | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2013 | (325) | (6,016) | (1,718) | (3,000) | 291 | (10,768) |
| (Charge) credit to profit or loss | (479) | 670 | – | (1,927) | 48 | (1,688) |
| Charge to other comprehensive income | – | – | (406) | – | – | (406) |
| Exchange realignment | 7 | (206) | (57) | 66 | (1) | (191) |
| At 31 December 2013 | (797) | (5,552) | (2,181) | (4,861) | 338 | (13,053) |
| Credit (charge) to profit or loss | 399 | 671 | (1,134) | (1,731) | (141) | (1,936) |
| Charge to other comprehensive income | – | – | (406) | – | – | (406) |
| Exchange realignment | 1 | 572 | 12 | 147 | (6) | 726 |
| At 31 December 2014 | (397) | (4,309) | (3,709) | (6,445) | 191 | (14,669) |

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:

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Deferred tax assets | 272 | 338 |
| Deferred tax liabilities | (14,941) | (13,391) |
| | (14,669) | (13,053) |

At 31 December 2014, the Group had unused tax losses of HK$26,011,000 (2013: HK$22,553,000), 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:

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 2018 | – | 2,316 |
| 2031 | 143 | 366 |
| 2032 | 2,495 | 2,494 |
| 2033 | 4,346 | 4,342 |
| 2034 | 7,171 | – |
| Indefinite | 11,856 | 13,035 |
| | 26,011 | 22,553 |

As at 31 December 2014, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$7,762,000 (2013: HK$7,464,000). 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.

## 36. SHARE CAPITAL

| | Notes | Number of ordinary shares | Share capital HK$'000 |
|---|---|---|---|
| Ordinary shares of HK$0.10 each | | | |
| **Authorised:** | | | |
| At 6 March 2013 (date of incorporation) and 31 December 2013 | *a* | 3,500,000 | 350 |
| Increase in authorised share capital on 21 June 2014 | *e* | 1,996,500,000 | 199,650 |
| At 31 December 2014 | | 2,000,000,000 | 200,000 |
| **Issued and fully paid:** | | | |
| Allotted and issued on 6 March 2013 | *a* | 1,000,000 | 100 |
| Issue of shares upon Corporate Reorganisation | *b* | 500,000 | 50 |
| At 31 December 2013 | | 1,500,000 | 150 |
| Shares issued upon Corporate Reorganisation | *c* | 400,000 | 40 |
| Capitalisation of shareholders' loan | *d* | 100,000 | 10 |
| Capitalisation issue | *f* | 298,000,000 | 29,800 |
| Shares issued upon public offer and international placing | *g* | 100,000,000 | 10,000 |
| Shares issued upon exercise of over-allotment option | *h* | 15,000,000 | 1,500 |
| At 31 December 2014 | | 415,000,000 | 41,500 |

*Notes:*

a. The Company was incorporated in the Cayman Islands on 6 March 2013 with authorised share capital of 3,500,000 shares of HK$0.10 each. Upon its incorporation, 1 ordinary share was allotted and issued. On the same date, an aggregate of 999,999 ordinary shares were further allotted and issued by the Company.

b. On 31 July 2013, the Company issued 500,000 shares at HK$0.10 each for the acquisition of OT BVI from the Ultimate Controlling Shareholders.

c. On 31 March 2014, the Company issued 400,000 shares at HK$0.10 each for the acquisition of OT HK, Citynet, OT WW HK, OT SL HK and On Union HK from the Ultimate Controlling Shareholders.

d. On 5 June 2014, the Company issued 100,000 shares at HK$0.10 each to the Ultimate Controlling Shareholders to settle the shareholders' loan amounting to HK$24,976,000.

e. Pursuant to the written resolution passed by all shareholders of the Company on 21 June 2014, the authorised share capital of the Company was increased from HK$350,000 to HK$200,000,000 by the creation of 1,996,500,000 additional new shares of HK$0.10 each in the capital of the Company.

f. The directors of the Company were authorised to capitalise an amount of HK$29,800,000 standing to the credit of the share premium account of the Company on 10 July 2014 by applying such sum in paying up in full at par 298,000,000 ordinary shares of HK$0.10 each of the Company for allotment and issue to the shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 21 June 2014. On 10 July 2014, the directors of the Company allotted and issued such shares as aforesaid and gave effect on the capitalisation issue.

g. 100,000,000 ordinary shares of HK$0.10 each of the Company were allotted and issued at the price of HK$1.18 per share by way of public offer in Hong Kong and international placing on the listing date. On 11 July 2014, the shares of the Company were listed on the Stock Exchange.

h. On 23 July 2014, a further 15,000,000 shares of HK$0.10 each were issued at HK$1.18 per share pursuant to the exercise of an over-allotment option.

## 36. SHARE CAPITAL (CONTINUED)

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

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

## 37. 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) income allocated to non-controlling interests | | Accumulated non-controlling interest | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| OT Korea | Korea | 49% | 49% | 70 | 412 | (145) | 65 | 3,283 | 3,358 |
| OTX Logistics Holland Group | The Netherlands | 25% | 25% | 4,304 | 5,072 | (3,259) | 934 | 20,944 | 19,899 |
| Individual immaterial subsidiaries with non-controlling interests | | | | 1,337 | 3,044 | 1 | (194) | 4,053 | 4,085 |
| | | | | 5,711 | 8,528 | (3,403) | 805 | 28,280 | 27,342 |

## 37. NON-CONTROLLING INTERESTS (CONTINUED)

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

| | **2014**<br>*HK$'000* | **2013**<br>*HK$'000* |
|---|---|---|
| Current assets | 13,494 | 16,667 |
| Non-current assets | 230 | 257 |
| Current liabilities | (7,023) | (10,071) |
| Non-current liabilities | – | – |
| Equity attributable to owners of the Company | 3,418 | 3,495 |
| Non-controlling interests | 3,283 | 3,358 |
| Revenue | 93,182 | 96,489 |
| Expenses | (93,039) | (95,648) |
| Profit for the year | 143 | 841 |
| Profit attributable to owners of the Company | 73 | 429 |
| Profit attributable to the non-controlling interests | 70 | 412 |
| Profit for the year | 143 | 841 |
| Other comprehensive (expense) income attributable to owners of the Company | (150) | 68 |
| Other comprehensive (expense) income attributable to the non-controlling interests | (145) | 65 |
| Other comprehensive (expense) income for the year | (295) | 133 |
| Total comprehensive (expense) income attributable to owner of the Company | (77) | 497 |
| Total comprehensive (expense) income attributable to the non-controlling interests | (75) | 477 |
| Total comprehensive (expense) income for the year | (152) | 974 |
| Dividends paid to non-controlling interest | – | – |
| Net cash inflow (outflow) from operating activities | 774 | (975) |
| Net cash outflow from investing activities | (1,790) | (48) |
| Net cash inflow from financing activities | 141 | 479 |
| Net cash outflow | (875) | (544) |

## 37. NON-CONTROLLING INTERESTS (CONTINUED)

### OTX Logistics Holland Group

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| Current assets | 135,880 | 159,596 |
| Non-current assets | 48,935 | 58,135 |
| Current liabilities | (122,941) | (157,978) |
| Non-current liabilities | (4,667) | (5,939) |
| Equity attributable to owners of the Company | 36,263 | 33,915 |
| Non-controlling interests | 20,944 | 19,899 |
| Revenue | 487,692 | 431,391 |
| Expenses | (471,319) | (412,102) |
| Profit for the year | 16,373 | 19,289 |
| Profit attributable to owners of the Company | 12,069 | 14,217 |
| Profit attributable to the non-controlling interests | 4,304 | 5,072 |
| Profit for the year | 16,373 | 19,289 |
| Other comprehensive (expense) income attributable to owners of the Company | (9,721) | 2,808 |
| Other comprehensive (expense) income attributable to the non-controlling interests | (3,259) | 934 |
| Other comprehensive (expense) income for the year | (12,980) | 3,742 |
| Total comprehensive income attributable to owner of the Company | 2,348 | 17,025 |
| Total comprehensive income attributable to the non-controlling interests | 1,045 | 6,006 |
| Total comprehensive income for the year | 3,393 | 23,031 |
| Dividends paid to non-controlling interest | – | – |
| Net cash inflow from operating activities | 4,352 | 9,511 |
| Net cash outflow from investing activities | (1,462) | (504) |
| Net cash outflow from financing activities | (237) | (216) |
| Net cash inflow | 2,653 | 8,791 |

## 38. DISPOSAL OF INTERESTS IN SUBSIDIARIES

### Year ended 31 December 2013

On 10 December 2013, the Group disposed of its entire 60% equity interest in Sun Logistics International Limited, an entity incorporated in Hong Kong and engaged in the provision of freight forwarding services, to an independent third party for a consideration of HK$6,000.

The net assets of the above disposal at the date of disposal are as follow:

*Consideration received*

| | *HK$'000* |
|---|---|
| Cash received | 6 |

*Assets and liabilities derecognised are as follows:*

| | **Carrying amount of disposed assets and liabilities** *HK$'000* |
|---|---|
| Net assets disposed of: | |
| Bank balances and cash | 1,122 |
| Trade and other payables | (372) |
| Amount due to a related company | (537) |
| Tax liabilities | (179) |
| | 34 |

*Loss on disposal of a subsidiary:*

| | *HK$'000* |
|---|---|
| Consideration received | 6 |
| Net assets disposed of | (34) |
| Non-controlling interests | 14 |
| | (14) |

*Net cash outflow arising on the disposal:*

| | *HK$'000* |
|---|---|
| Consideration received | 6 |
| Cash and cash equivalent balances disposed of | (1,122) |
| | (1,116) |

## 39. 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$1,250 per month (increase to HK$1,500 per month since 1 June 2014) 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 2014, the total cost charged to profit or loss of HK$23,775,000 (2013: HK$18,078,000) respectively represents contributions payable to these schemes by the Group. As at 31 December 2014 and 31 December 2013, contributions of HK$3,940,000 and HK$2,458,000 respectively due in respect of the reporting period had not been paid over to the schemes.

## 40. 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:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | 119,927 | 118,737 |
| Held for trading investments | 1,044 | – |
| Pledged bank deposits | 11,088 | 3,706 |
| | 132,059 | 122,443 |

## 41. LEASE ARRANGEMENTS

### The Group as a lessor

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

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | 198 | 209 |
| In the second to fifth year inclusive | – | 163 |
| | 198 | 372 |

The properties held by the Group for rental purpose have committed tenants from 1 to 2 years.

## 41. LEASE ARRANGEMENTS (CONTINUED)

### The Group as a lessee

At the end of the 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:

| | **2014** | **2013** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | 29,724 | 42,957 |
| In the second to fifth year inclusive | 77,650 | 71,237 |
| Over five years | 17,163 | 5,372 |
| | 124,537 | 119,566 |

As at 31 December 2014, included in the above future minimum lease payments for related companies are HK$5,288,400 (2013: HK$4,937,000).

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.

## 42. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities in respect of the following:

As at 31 December 2013, the corporate guarantee provided by the Group in respect of banking facilities granted to a related company of which Mr. Lam and Mr. Haenisch, directors of the Company, have beneficial interest and control was HK$916,000. The corporate guarantee was released during the year ended 31 December 2014.

## 43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$450,000 (2013: HK$1,079,000).

During the year ended 31 December 2014, the Company issued 100,000 shares at HK$0.10 each to shareholders to settle the shareholders' loan amounting to HK$24,976,000.

During the year ended 31 December 2014, the Company capitalized an amount of HK$29,800,000 standing to the credit of the share premium account by allotting and issuing 298,000,000 ordinary shares of HK$0.10 each.

During the year ended 31 December 2014, loan receivables amounting to HK$6,956,000 was settled through the amounts due from directors.

During the year ended 31 December 2014, the Company declared dividend amounting to HK$97,000,000, of which HK$60,400,000 was settled through the amounts due from directors.

## 44. RELATED PARTY TRANSACTIONS

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

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| **i. Associates** | | |
| OT Bangladesh | | |
| – Freight income received | 616 | 704 |
| – Freight charge paid | 16,235 | 29,405 |
| – Loan interest income | 7 | 21 |
| OT WW Dubai | | |
| – Freight income received | 1,181 | – |
| – Freight charge paid | 983 | – |
| – Management fee income received | 6 | – |
| **ii. Joint venture** | | |
| OTX Logistics Rotterdam B.V. | | |
| – Freight income received | 32,856 | 19,079 |
| – Freight charge paid | 2,565 | 2,037 |
| **iii. Related companies controlled by Mr. Lam** | | |
| First Choice International Limited | | |
| – Rental expenses | 1,020 | 1,020 |
| On Good Development Limited | | |
| – Rental expenses | 1,520 | 1,520 |
| **iv. Related company controlled by Mr. Dennis Ronald de Wit** | | |
| T.Y.D. Holding B.V. | | |
| – Management fee paid | 1,556 | – |
| **v. Director and one of the Ultimate Controlling Shareholders** | | |
| Mr. Lam | | |
| – Acquisition of trademarks | 9,350 | – |

Apart from the Group's pledged bank deposits as stated in note 40, the banking facilities amounting to HK$212,433,000 as at 31 December 2013 were secured by the properties owned by On Good Development Limited and First Choice International Limited and personal guarantee from Mr. Lam and Mr. Haenisch. These securities were released during the year ended 31 December 2014.

None of the above related party transactions 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.

## 44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Staff costs excluding retirement benefit contributions | 15,959 | 9,305 |
| Retirement benefit contributions | 531 | 255 |
| | 16,490 | 9,560 |

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

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Assets | | |
| Interest in a subsidiary *(note i)* | 385,387 | 291 |
| Amounts due from directors *(note ii)* | – | 100 |
| Other receivables and prepayments | 336 | – |
| Bank balances and cash | 74,880 | – |
| Total assets | 460,603 | 391 |
| Liability | | |
| Other payables | 1,337 | – |
| Total liability | 1,337 | – |
| | 459,266 | 391 |
| Capital and reserves *(note iii)* | | |
| Share capital | 41,500 | 150 |
| Reserves | 417,766 | 241 |
| | 459,266 | 391 |

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

*Notes:*

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

(ii) Amounts due from directors

The balances due from directors as pursuant to Hong Kong Companies Ordinance are as follows:

| | | | Maximum amount outstanding during year ended | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Mr. Lam | – | 64 | 64 | 64 |
| Mr. Haenisch | – | 35 | 35 | 35 |
| Ms. Cheung | – | 1 | 1 | 1 |
| | – | 100 | | |

*(iii)* Capital and reserves

| | **Share capital** | **Share premium** | **Accumulated losses** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 6 March 2013 (date of incorporation) | 100 | – | – | 100 |
| Issue of shares upon Corporate Reorganisation on 31 July 2013 | 50 | 241 | – | 291 |
| At 31 December 2013 | 150 | 241 | – | 391 |
| Profit for the year | – | – | 94,428 | 94,428 |
| Total comprehensive income for the year | – | – | 94,428 | 94,428 |
| Shares issued upon Corporate Reorganisation | 40 | 315,989 | – | 316,029 |
| Capitalisation of shareholders' loan | 10 | 24,966 | – | 24,976 |
| Capitalisation issue | 29,800 | (29,800) | – | – |
| Shares issued upon public offer and international placing | 10,000 | 108,000 | – | 118,000 |
| Shares issued upon exercise of over-allotment option | 1,500 | 16,200 | – | 17,700 |
| Expenses incurred in connection with issue of shares | – | (15,258) | – | (15,258) |
| Dividend paid to shareholders (note 15) | – | – | (97,000) | (97,000) |
| At 31 December 2014 | 41,500 | 420,338 | (2,572) | 459,266 |

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2014 and 31 December 2013 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 |
|---|---|---|---|---|---|---|
| | | | 2014 | 2013 | | |
| Gold Forum International Limited | British Virgin Islands ("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 |
| 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 |
| Holicbuy Company Limited ("Holicbuy") | Hong Kong 30 May 2014 | HK$10,000 | 60% *(note 1)* | – | Hong Kong | E-commerce |
| 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 | Inactive |

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

| 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 |
|---|---|---|---|---|---|---|
| | | | 2014 | 2013 | | |
| 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 |
| On Line Service Limited 先達國際物流控股有限公司 | 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 services |
| PT. On Time Express | Indonesia 22 February 2000 | US$200,000 | 95% | 95% | Indonesia | Provision of freight forwarding services |
| On Time Worldwide Logistics Company Limited | Japan 28 November 2011 | JPY20,000,000 | 100% | 100% | Japan | Provision of freight forwarding brokerage services |

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Equity interest attributable to the Group 2014 | 2013 | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| 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 |
| Courier & Freight Express (Malaysia) Sdn. Bhd. ("C&F Malaysia") | Malaysia 16 March 2010 | RM81,000 | N/A *(note 3)* | 100% | Malaysia | Inactive |
| On Time International Logistics Sdn. Bhd. ("OT Int'I Malaysia") | Malaysia 4 December 2002 | RM230,000 | 60% *(note 2)* | 60% | Malaysia | Inactive |
| On Time Worldwide Logistics (Borneo) Sdn. Bhd. ("OT Borneo") | Malaysia 10 March 2010 | RM200,000 | N/A *(note 3)* | 51% | 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 |
| On Line Service Pte. Ltd. ("On Line Singapore") | Singapore 15 January 2010 | SGD10,000 | N/A *(note 3)* | 100% | Singapore | Inactive |
| On Time Worldwide Logistics Pte. Ltd. | Singapore 22 June 2006 | SGD110,000 | 70% | 70% | Singapore | Provision of freight forwarding services |

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Equity interest attributable to the Group 2014 | 2013 | Place of operation | Principal activities |
|---|---|---|---|---|---|---|
| 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 5)* | 82.5% *(note 5)* | 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 Holland | The Netherlands 19 April 2006 | EUR18,000 | 45% *(note 4)* | 45% *(note 4)* | The Netherlands | Provision of freight forwarding services |
| Westport 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$250,000 | 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 6)* | 100% *(note 6)* | 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.

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

*Notes:*

1. Holicbuy was incorporated in Hong Kong as a limited liability company on 30 May 2014.

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. The Group's interest in C&F Malaysia, OT Borneo and On Line Singapore were deregistered during the year ended 31 December 2014.

4. 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 owed as to 45% by the Group.

5. 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.

6. 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.

7. 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.

8. None of the subsidiaries had issued any debt securities at the end of the year, or at any time during the year.

## 47. SUBSEQUENT EVENTS

Subsequent to 31 December 2014, the Group acquired 50% equity interest of Vector Global Logistics Limited from an independent parties at a consideration of HK$81,873 on 1 January 2015. Vector Global Logistics Limited became an associate of the Group on 1 January 2015.

On 21 June 2014, an ordinary resolution was passed by the shareholders at the annual general meeting of the Company approving the adoption of a new share option scheme.

On 26 January 2015, the Company granted 3,012,000 share options to an executive director and its employees at an exercise price of HK$1.65 each to subscribe for ordinary shares of the Company. All share options are exercisable from 26 January 2017 to 25 January 2019 (both days inclusive).

# FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements.

## RESULTS

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2014** | **2013** | **2012** | **2011** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | 3,468,061 | 3,161,290 | 2,633,886 | 2,319,867 |
| Profit before taxation | 91,747 | 74,047 | 58,004 | 64,432 |
| Income tax expense | 26,463 | 19,072 | 13,731 | 10,286 |
| Profit attributable to owners of the Company | 59,573 | 46,447 | 37,830 | 51,218 |
| Profit attributable to non-controlling interests | 5,711 | 8,528 | 6,443 | 2,928 |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2014** | **2013** | **2012** | **2011** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Non-current assets | 107,502 | 108,513 | 99,997 | 101,197 |
| Current assets | 809,710 | 812,955 | 684,850 | 506,000 |
| Total assets | 917,212 | 921,468 | 784,847 | 607,197 |
| Current liabilities | 453,589 | 558,219 | 458,880 | 331,775 |
| Total assets less current liabilities | 463,623 | 363,249 | 325,967 | 275,422 |
| Non-current liabilities | 18,060 | 15,989 | 14,170 | 13,565 |
| Net assets | 445,563 | 347,260 | 311,797 | 261,857 |
| Equity | | | | |
| Share capital | 41,500 | 20,670 | 20,909 | 20,909 |
| Reserves | 369,143 | 299,248 | 272,503 | 229,580 |
| Proposed dividend | 6,640 | – | – | – |
| Net assets attributable to owners of the Company | 417,283 | 319,918 | 293,412 | 250,489 |
| Non-controlling interests | 28,280 | 27,342 | 18,385 | 11,368 |
| Total equity | 445,563 | 347,260 | 311,797 | 261,857 |