



ON TIME LOGISTICS HOLDINGS LIMITED

先達國際物流控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6123)

INTERIM REPORT
2015

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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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board (the “Board”) of directors (the “Directors”) of On Time Logistics Holdings Limited (先達國際物流控股有限公司) (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 (the “Reporting Period”). The relevant financial figures for the six months ended 30 June 2014 (the “1H2014”) or other dates/periods are also set out in this report for comparative purposes.

During the Reporting Period, the demand for logistics and freight forwarding services decreased after the continued rise in the past consecutive years. Such drop was in line with the slow down in market development, especially in Europe and South America. Fortunately the growth in Asia and North America markets remained stable as the previous year.

FINANCIAL RESULTS

Mainly contributed by the air freight and ocean freight businesses, the Group recorded revenue of about HK\$1,487.1 million during the Reporting Period (1H2014: about HK\$1,691.1 million), representing a period-on-period drop of about 12.1%. Gross profit amounted to about HK\$245.8 million (1H2014: about HK\$255.8 million), representing a period-on-period slight decrease of about 3.9%. Gross profit margin was about 16.5% (1H2014: about 15.1%), while net profit attributable to owners of the Company decreased significantly by about 52.9% period-on-period to about HK\$15.5 million (1H2014: about HK\$33.0 million). The decrease in net profit was mainly due to the decrease in demand for air freight services in the air freight segment; the poor economy in Europe and South America; the increase in staff cost and rental expenses due to the expansion of the sales team and the ancillary and contract logistics services business; the increase in provision of doubtful debts and bad debts during the Reporting Period, especially for the default in payment of one of the Group’s agents in Brazil, in respect of the outstanding trade receivables owed by that agent to the Group, which amounted to approximately HK\$7.1 million as at 30 June 2015; as well as the absence of any substantial increase in revenue in the air freight segment for the Reporting Period whereas in the corresponding period last year the Group recorded a significant increase in revenue due to the substantial increase in volume of shipments of a customer in the air freight segment.

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 provide cross-selling opportunities and to meet diverse customers’ needs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

Air Freight

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 65.5% of the Group's total revenue during the Reporting Period (1H2014: about 69.7%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group has received numerous accolades from international 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.

During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$974.4 million (1H2014: about HK\$1,177.9 million), representing a significant drop of about 17.3% as compared to the corresponding period of 2014. Gross profit of the segment also dropped from about HK\$160.3 million in the corresponding period of 2014 to about HK\$136.2 million during the Reporting Period, representing a decrease of about 15.0% period-on-period. In respect of air import and export tonnage, the Group noted a period-on-period decrease of about 6.2% and 17.1%, respectively, due to the absence of substantial increase in air tonnage during the Reporting Period, whereas the Group recorded a significant increase in demand for air tonnage by a customer in the corresponding period in 2014.

Ocean Freight

Contributing about 30.1% of the Group's total revenue during the Reporting Period (1H2014: about 26.7%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system have enabled the Group to capture the ocean freight market growth. During the Reporting Period, revenue of ocean freight segment slightly decreased by about 1.1% period-on-period to about HK\$447.2 million (1H2014: about HK\$452.2 million). However, due to better cost control, gross profit increased to about HK\$81.0 million (1H2014: about HK\$72.3 million). Due to market conditions, the Group has successfully transferred related costs to its customers so as to reduce the cost burden and improve this segment's performance. During the Reporting Period, the ocean freight shipping volume handled by the Group reached to about 50,375 (1H2014: about 50,288) twenty-foot equivalent unit, representing a slight increase of about 0.2% from the corresponding period of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

The GSA Business

The GSA business involves agreements entered into between the Group and regional airlines, whereby the Group subsequently acts as a wholesaler of the airlines' cargo space. During the Reporting Period, due to the termination of airline appointment, revenue of the GSA business decreased to about HK\$1,000 (1H2014: about HK\$1.4 million). Our revenue generated from the GSA business recorded as net agency income, therefore our gross profit margin of the GSA business maintained at 100% during the Reporting Period and 1H2014.

Ancillary and Contract Logistics Services

Accounting for about 2.1% (1H2014: about 1.2%) of the Group's total revenue during the Reporting Period, the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology ("IT") platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation to cope with market conditions. Consequently, this business achieved revenue of about HK\$31.9 million (1H2014: about HK\$19.8 million) and gross profit of about HK\$18.0 million (1H2014: about HK\$11.0 million).

Others

The other businesses include combined shipments, trucking and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other businesses recorded revenue of about HK\$33.6 million (1H2014: about HK\$39.8 million) and gross profit of about HK\$10.7 million (1H2014: about HK\$10.7 million). The gross profit margin of other businesses during the Reporting Period increased from 27.0% in 1H2014 to 31.7% which is mainly due to a better cost control.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's working capital as at 30 June 2015 was about HK\$360.6 million, representing a slight increase of about 1.3% from about HK\$356.1 million as at 31 December 2014. The current ratio of the Group improved from about 1.79 times as at 31 December 2014 to about 1.88 times as at 30 June 2015.

As at 30 June 2015, the Group's bank balances and cash amounted to about HK\$220.7 million, representing a decrease of about 9.2% from about HK\$243.0 million as at 31 December 2014. For the Reporting Period, the Group had operating cash inflow of about HK\$30.6 million (1H2014: operating cash inflow of about HK\$10.4 million). As at 30 June 2015, the Group's outstanding bank borrowings amounted to about HK\$113.1 million (as at 31 December 2014: about HK\$148.9 million). The gearing ratio of the Group was about 25.3% as at 30 June 2015 (as at 31 December 2014: about 33.4%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2015 and as at 31 December 2014, the Group maintained a net cash position.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOREIGN EXCHANGE RISK

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

The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2014. The Group continues to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.

CAPITAL EXPENDITURE COMMITMENTS

The Group did not have any capital expenditure commitments as at 30 June 2015 (as at 31 December 2014: Nil).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

CHARGE ON ASSETS

At the end of the Reporting Period, certain of the Group's trade receivables with an aggregate carrying amount of about HK\$80.9 million (as at 31 December 2014: about HK\$119.9 million), held-for-trading investments with a carrying amount of about HK\$1.0 million (as at 31 December 2014: about HK\$1.0 million) together with short-term bank deposits of about HK\$11.1 million (as at 31 December 2014: about HK\$11.1 million) were pledged to secure certain banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

There are no events to cause material impact on the Group from the end of the Reporting Period to the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

PROSPECTS

Despite the economic slow down in Europe and South America markets during the Reporting Period, looking ahead, the global demand for logistics and freight forwarding services is expected to remain stable in the medium to long term. According to a market research conducted by a market research institution which was commissioned by the Company, total transportation volume of cargo reached about 79,831.4 million tonnes in 2013 and is expected to reach about 105,592.2 million tonnes by 2016, which indicates considerable market growth potential.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (CONTINUED)

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.

As set out in the announcement of the Company dated 22 May 2015, On Time Express Limited (先達國際貨運有限公司) (“OT HK”) has entered into a subcontracting agreement with Posti Ltd (“Posti”), an independent third party, whereby Posti has appointed OT HK as its sub-contractor for provision of warehousing, international transshipment, customs clearance, and product delivery services to sellers of a global retail online platform which place orders on Zhejiang Cainiao Supply Chain Management Co. Limited’s logistics information service platform. The Directors do not anticipate the new venture will require significant resources on the part of the Group, but it is expected and is hopeful that this will create a significant channel for strengthening the Group’s air freight services.

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 19,000 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, thus delivering benefits to all parties concerned. To expedite development of the e-commerce business, a dedicated team was established in 2014, of which its members possess 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

HUMAN RESOURCES

As at 30 June 2015, the Group employed about 1,141 employees (as at 30 June 2014; about 1,060 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

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

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the banking facilities (the "Facility Letter") granted by a bank in Hong Kong to 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 of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 2016. 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 about HK\$125.2 million which shall be subject to renewal by 15 July 2016. The Facility Letter contains a condition which requires Mr. Lam Chun Chin, Spencer ("Mr. Lam"), one of the controlling shareholders of the Company, to remain as the chairman of the Company and the largest single shareholder of the Company with shareholding of no less than 40% in the Company. A breach of any of such requirements will constitute an event of default under the Facility Letter, and if it happens, the facilities in the aggregate sum of about HK\$125.2 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As at 30 June 2015, 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\$113 million. As of the date of this report, OT HK is in compliance with the Facility Letter.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REGULATORY COMPLIANCE

As disclosed in the Company's prospectus dated 30 June 2014, a branch office of OTX Logistics, Inc., an indirect wholly owned subsidiary of the Company, occupied a premises in Houston, Texas, the United States, which is leased to an independent third party by the landlord. Our Group had been paying the rents for the occupation of such premises. Since the date of Listing and up to 30 June 2015, we had not been requested by such owner to vacant from such premises. We moved out from such premises upon expiry of the existing lease on 30 June 2015.

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

As at 30 June 2015, 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:

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

Notes:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

Name of Director	Capacity/ nature of interest	Number of underlying shares in respect of the share options granted	Approximate percentage* of shareholding
Ms. Wong Pui Wah	Beneficial owner	598,000 <i>(Note)</i>	0.14%

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

* The percentage represents the number of shares/underlying shares involved divided by the number of the Company's/the relevant associated corporation's issued shares as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 30 June 2015, 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 short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of shareholder	Capacity/nature of interest	Number of shares involved	Percentage* of the Company's issued share capital
Lam Investco (<i>Note 1</i>)	Beneficial owner	192,000,000	46.27%
Ms. Li Wai Fun (<i>Note 1</i>)	Interest of spouse	192,000,000	46.27%
Haenisch Investco (<i>Note 2</i>)	Beneficial owner	105,000,000	25.30%
Ms. Haenisch Leung Man San (<i>Note 2</i>)	Interest of spouse	105,000,000	25.30%
Ruan David Ching-chi	Interest of controlled corporations	28,858,000 (<i>Notes 3&4</i>)	6.95%
Yip Yok Tak Amy	Interest of controlled corporations	28,858,000 (<i>Notes 3&4</i>)	6.95%
Rays Capital Partners Limited	Investment manager	28,858,000 (<i>Notes 3&4</i>)	6.95%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	24,962,000 (<i>Notes 3&4</i>)	6.01%

* The percentage represents the number of shares of the Company involved divided by the number of the Company's issued shares as at 30 June 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

Notes:

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

Save as disclosed above, as at 30 June 2015, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME

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

Name or category of grantees	Date of grant (Note)	Exercise period	Number of share options						Closing price as at immediately before the date of grant	
			Exercise price per share HK\$	Outstanding				Outstanding as at 30 June 2015		
				as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period			Cancelled during the period
Director										
Ms. Wong Pui Wah	26 January 2015	26 January 2017 – 25 January 2019	1.65	-	598,000	-	-	-	598,000	1.65
Sub-total					598,000	-	-	-	598,000	
Employees										
	26 January 2015	26 January 2017 – 25 January 2019	1.65	-	2,414,000	-	-	-	2,414,000	1.65
Sub-total					2,414,000	-	-	-	2,414,000	
Total					3,012,000	-	-	-	3,012,000	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company’s share capital.



CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

UPDATE ON DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors is set out below:

- Mr. Wong See Ho was appointed as a member of the Aviation Development and Three-runway System Advisory Committee (replaced “Aviation Development Advisory Committee” on the same day) by The Government of the Hong Kong Special Administrative Region on 1 August 2015.
- Mr. Ng Wai Hung has been appointed as an independent non-executive director of Kingbo Strike Limited (stock code: 1421), a company listed on the Stock Exchange, with effect from 1 June 2015.

AUDIT COMMITTEE

The Company has established an audit committee which comprises the three independent non-executive Directors, namely, Mr. Wong See Ho, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Mr. Wong See Ho is the chairman of the audit committee. The terms of reference of the audit committee comply with the CG Code. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements, provide material advice in respect of financial reporting and oversee the internal control procedures of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE (CONTINUED)

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

APPRECIATION

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

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

Hong Kong, 28 August 2015

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ON TIME LOGISTICS HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of On Time Logistics Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		(Unaudited)	
		Six months ended 30 June	
		2015	2014
	NOTES	HK\$'000	HK\$'000
Revenue	3	1,487,113	1,691,147
Cost of sales		<u>(1,241,268)</u>	<u>(1,435,367)</u>
Gross profit		245,845	255,780
Other income		3,758	2,055
Administrative expenses		(224,949)	(197,506)
Listing expenses		–	(10,013)
Other gains or losses		(847)	(740)
Share of profit (loss) of associates		75	(310)
Share of (loss) profit of joint ventures		(83)	332
Finance costs		<u>(2,275)</u>	<u>(2,381)</u>
Profit before tax		21,524	47,217
Income tax expenses	4	<u>(4,533)</u>	<u>(11,665)</u>
Profit for the period	5	<u>16,991</u>	<u>35,552</u>
Profit for the period attributable to:			
Owners of the Company		15,549	33,025
Non-controlling interests		<u>1,442</u>	<u>2,527</u>
		<u>16,991</u>	<u>35,552</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
Basic		<u>3.75</u>	<u>11.50</u>
Diluted		<u>3.75</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period	16,991	35,552
Other comprehensive income (expense), net of income tax		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation increase on leasehold land and buildings	236	1,478
Deferred tax arising on revaluation of leasehold land and buildings	9	(387)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of reserve of associates	(5)	(1)
Share of reserve of joint ventures	(420)	(41)
Exchange differences arising from overseas operations	(9,501)	(1,167)
Other comprehensive expense for the period	(9,681)	(118)
Total comprehensive income for the period	7,310	35,434
Total comprehensive income for the period attributable to:		
Owners of the Company	8,574	33,147
Non-controlling interests	(1,264)	2,287
	7,310	35,434

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

		(Unaudited) At 30 June 2015 HK\$'000	(Audited) At 31 December 2014 HK\$'000
	NOTES		
Non-current assets			
Investment properties	8	8,287	8,259
Property, plant and equipment	9	51,865	52,147
Goodwill		14,690	16,065
Intangible assets		22,726	25,743
Interests in associates		411	104
Interests in joint ventures		4,459	4,912
Available-for-sale investments		581	–
Deferred tax assets		363	272
		<u>103,382</u>	<u>107,502</u>
Current assets			
Trade receivables	10	461,485	480,624
Other receivables, deposits and prepayments		65,209	62,784
Held-for-trading investments		1,027	1,044
Amounts due from joint ventures	16	2,065	4,579
Amounts due from associates	16	6,831	5,723
Prepaid tax		2,601	890
Pledged bank deposits		11,050	11,088
Bank balances and cash		220,654	242,978
		<u>770,922</u>	<u>809,710</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2015

		(Unaudited) At 30 June 2015 HK\$'000	(Audited) At 31 December 2014 HK\$'000
	<i>NOTES</i>		
Current liabilities			
Trade and other payables	11	289,944	294,686
Amount due to an associate	16	155	–
Amount due to a related company	16	27	–
Tax liabilities		6,395	9,489
Obligations under finance leases – due within one year	12	639	549
Bank borrowings – due within one year	13	113,117	148,865
		410,277	453,589
Net current assets		360,645	356,121
Total assets less current liabilities		464,027	463,623
Non-current liabilities			
Trade and other payables – due after one year	11	2,442	2,483
Obligations under finance leases – due after one year	12	696	636
Deferred tax liabilities		14,397	14,941
		17,535	18,060
		446,492	445,563
Capital and reserves			
Share capital	14	41,500	41,500
Reserves		377,976	375,783
Net assets attributable to owners of the Company		419,476	417,283
Non-controlling interests		27,016	28,280
Total equity		446,492	445,563

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	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
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2014 (audited)	20,670	241	203	98	-	5,824	3,045	8,770	281,067	319,918	27,342	347,260
Profit for the period	-	-	-	-	-	-	-	-	33,025	33,025	2,527	35,552
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	-	1,478	-	1,478	-	1,478
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	(387)	-	(387)	-	(387)
Share of reserve of associates	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Share of reserve of joint ventures	-	-	-	-	-	(41)	-	-	-	(41)	-	(41)
Exchange differences arising from overseas operations	-	-	-	-	-	(927)	-	-	-	(927)	(240)	(1,167)
Total comprehensive (expense) income for the period	-	-	-	-	-	(969)	-	1,091	33,025	33,147	2,287	35,434
Special reserve arising from corporate reorganisation (note a)	(20,480)	315,989	-	(295,509)	-	-	-	-	-	-	-	-
Capitalisation of shareholders' loan	10	24,966	-	-	-	-	-	-	-	24,976	-	24,976
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(916)	(916)
Transfer to statutory reserve	-	-	-	-	-	-	1,409	-	(1,409)	-	-	-
At 30 June 2014 (unaudited)	200	341,196	203	(295,411)	-	4,855	4,454	9,861	312,683	378,041	28,713	406,754
Profit for the period	-	-	-	-	-	-	-	-	26,548	26,548	3,184	29,732
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	-	486	-	486	-	486
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	(19)	-	(19)	-	(19)
Share of reserve of associates	-	-	-	-	-	(6)	-	-	-	(6)	-	(6)
Share of reserve of joint ventures	-	-	-	-	-	(540)	-	-	-	(540)	-	(540)
Exchange differences arising from overseas operations	-	-	-	-	-	(9,964)	-	-	-	(9,964)	(3,163)	(13,127)
Total comprehensive (expense) income for the period	-	-	-	-	-	(10,510)	-	467	26,548	16,505	21	16,526
Shares issued on the capitalisation issue	29,800	(29,800)	-	-	-	-	-	-	-	-	-	-
Shares issued upon public offer and international placing	10,000	108,000	-	-	-	-	-	-	-	118,000	-	118,000
Shares issued upon exercise of over-allotment option	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	-	-	-	-	-	-	-	-	(97,000)	(97,000)	-	(97,000)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,163)	(1,163)
Transfer to statutory reserve	-	-	-	-	-	-	1,745	-	(1,745)	-	-	-
At 31 December 2014 (audited)	41,500	420,338	203	(295,411)	(705)	(5,655)	6,199	10,328	240,486	417,283	28,280	445,563

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Special reserve	Share options reserve	Other reserve	Translation reserve	Statutory reserve	Property revaluation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited)	41,500	420,338	203	(295,411)	-	(705)	(5,655)	6,199	10,328	240,486	417,283	28,280	445,563
Profit for the period	-	-	-	-	-	-	-	-	-	15,549	15,549	1,442	16,991
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	-	-	236	-	236	-	236
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	-	9	-	9	-	9
Share of reserve of associates	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Share of reserve of joint ventures	-	-	-	-	-	-	(420)	-	-	-	(420)	-	(420)
Exchange differences arising from overseas operations	-	-	-	-	-	-	(6,795)	-	-	-	(6,795)	(2,706)	(9,501)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(7,220)	-	245	15,549	8,574	(1,264)	7,310
Recognition of equity-settled share-based payment	-	-	-	-	259	-	-	-	-	-	259	-	259
Dividend paid to shareholders	-	-	-	-	-	-	-	-	-	(6,640)	(6,640)	-	(6,640)
Transfer from statutory reserve	-	-	-	-	-	-	-	124	-	(124)	-	-	-
At 30 June 2015 (unaudited)	41,500	420,338	203	(295,411)	259	(705)	(12,875)	6,323	10,573	249,271	419,476	27,016	446,492

Notes:

- (a) 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 the corporate reorganisation.
- (b) Statutory reserve represents general and development fund reserve of subsidiaries in the People's Republic of China (the "PRC"), Taiwan and the Netherlands required in accordance with the laws and regulations in the relevant jurisdictions.
- (c) The non-controlling interest at 1 January 2014 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 was reclassified to other reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	(Unaudited)	
	30 June 2015	30 June 2014
	HK\$'000	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	30,571	10,418
INVESTING ACTIVITIES		
Interest received	324	500
Purchase of property, plant and equipment	(5,172)	(3,458)
Purchase of intangible assets	–	(9,350)
Proceeds on disposal of property, plant and equipment	125	257
Repayment from an associate	–	388
Repayment from (advance to) joint ventures	3,556	(736)
Advance to associates	(4,875)	(2,033)
Advance to a related company	–	(1)
Repayment from directors	–	100
Withdrawal of pledged bank deposits	–	1,278
Placement of pledged bank deposits	(6)	(553)
Repayment from related companies	–	687
Acquisition of interests in associates	(237)	–
Acquisition of interest in a joint venture	(50)	–
Purchase of available-for-sale investments	(581)	–
NET CASH USED IN INVESTING ACTIVITIES	(6,916)	(12,921)
FINANCING ACTIVITIES		
Interest paid	(2,275)	(2,381)
Decrease in bank overdrafts	(8,507)	(13,322)
Decrease in factoring loans	(31,042)	(683)
New bank loans raised	126,216	74,555
Repayment of bank loans	(122,269)	(76,993)
Repayment to directors	–	(3,450)
Repayment to related parties	–	(360)
Dividend paid to shareholders	(6,640)	–
Dividend paid to non-controlling interests of the subsidiaries	–	(916)
Advance from related companies	27	–
Repayment of obligation under finance leases	(291)	(908)
NET CASH USED IN FINANCING ACTIVITIES	(44,781)	(24,458)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,126)	(26,961)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	242,978	163,885
Effect of foreign exchange rate changes	(1,198)	(1,125)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	220,654	135,799
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	220,654	135,799

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2014. In addition, the Group has applied the following accounting policy during the current interim period.

Share-based payment arrangements

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

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

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

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. SEGMENT INFORMATION

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

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

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

a. Segment revenue and results

	(Unaudited)		(Unaudited)	
	Segment revenue		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating and reportable segment				
Air freight	974,446	1,177,911	97,910	126,815
Ocean freight	447,194	452,173	58,806	55,606
General sales agency	1	1,411	(401)	852
Logistics	31,907	19,803	2,650	5,563
Others	33,565	39,849	10,651	10,741
Total	1,487,113	1,691,147	169,616	199,577
Share of profit (loss) of associates			75	(310)
Share of (loss) profit of joint ventures			(83)	332
Other income			3,758	2,055
Other gains or losses			(847)	(740)
Unallocated corporate expenses			(148,720)	(151,316)
Finance costs			(2,275)	(2,381)
Profit before tax			21,524	47,217

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. SEGMENT INFORMATION (CONTINUED)

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

b. Segment assets and liabilities

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

c. Geographic information

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

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	532,746	736,926
PRC	294,580	259,133
Other Asia Regions	256,766	276,294
The Netherlands	180,371	233,531
North America	222,650	185,263
	1,487,113	1,691,147

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

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	47,895	46,944
PRC	9,906	11,035
Other Asia Regions	3,889	4,394
The Netherlands	33,267	37,502
North America	3,192	2,339
	98,149	102,214

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

4. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Current tax		
– Hong Kong Profits Tax	660	3,710
– Enterprise Income Tax in the PRC	913	2,431
– Dutch Corporate Income Tax	696	1,501
– Indonesian Corporate Income Tax	–	258
– Vietnam Corporate Income Tax	751	870
– Other Jurisdictions	1,699	1,731
	4,719	10,501
(Over) under provision in respect of prior years		
– Vietnam Corporate Income Tax	(10)	–
– Other Jurisdictions	120	249
	110	249
Deferred taxation	(296)	915
	4,533	11,665

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

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 Company is taxed at 25% during the period.

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

Indonesian Corporate Income Tax is calculated at 25% of the estimated assessable profit during the period.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

5. PROFIT FOR THE PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	5,538	4,707
Amortisation of intangible assets	1,574	1,396
Impairment loss on trade receivables	13,633	3,638
Reversal of impairment loss on trade receivables	(2,391)	(1,428)
Net exchange loss	681	1,163
	<u>681</u>	<u>1,163</u>

6. EARNINGS PER SHARE

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

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	15,549	33,025
	<u>15,549</u>	<u>33,025</u>

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	415,000	287,155
Effect of dilutive potential ordinary shares on share options	<u>–</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>415,000</u>	

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options is higher than the average market price for shares during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

7. DIVIDEND

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend payable in respect of the year ended 31 December 2014 of HK1.6 cents (2014: Nil) per share	6,640	–

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2015 (2014: Nil).

8. INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at the end of the current interim period has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. There has been no change in fair value of investment properties for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$516,000).

The fair values of the Group's investment properties as at 30 June 2015 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, and there were no transfers into or out of Level 3 during the six months ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment for a consideration of HK\$5,614,000 (six months ended 30 June 2014: HK\$3,658,000).

During the six months ended 30 June 2015, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$221,000 (six months ended 30 June 2014: HK\$346,000) for cash proceeds of HK\$125,000 (six months ended 30 June 2014: HK\$257,000), resulting in a loss on disposal of HK\$96,000 (six months ended 30 June 2014: HK\$89,000).

The Group's leasehold land and buildings classified as property, plant and equipment were valued by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair value of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available. The resulting revaluation surplus of HK\$236,000 has been credited to the properties revaluation reserve during the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$1,478,000).

10. TRADE RECEIVABLES

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

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

	(Unaudited) At 30 June 2015 HK\$'000	(Audited) At 31 December 2014 HK\$'000
0 – 30 days	243,045	222,751
31 – 60 days	131,575	173,343
61 – 90 days	48,859	53,114
91 – 180 days	26,557	21,125
Over 180 days	11,449	10,291
	<u>461,485</u>	<u>480,624</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

11. TRADE AND OTHER PAYABLES

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

	(Unaudited)	(Audited)
	At	At
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	202,217	207,481
61 – 180 days	16,849	17,858
181 – 365 days	2,351	1,225
1 – 2 years	2,955	3,424
	<u>224,372</u>	<u>229,988</u>
Trade and other payables analysed as:		
– Current	289,944	294,686
– Non-current	<u>2,442</u>	<u>2,483</u>
	<u>292,386</u>	<u>297,169</u>

12. OBLIGATIONS UNDER FINANCE LEASES

During the six months ended 30 June 2015, the Group obtained new obligations under finance leases amounting to HK\$443,000 (six months ended 30 June 2014: HK\$200,000) and repaid obligations under finance leases amounting to HK\$291,000 (six months ended 30 June 2014: HK\$908,000). The obligations under finance leases carry interest at fixed market rates of ranging from 0.24% to 2.50% and are repayable in instalments over a period of 3 years.

13. BANK BORROWINGS

During the six months ended 30 June 2015, the Group obtained new bank borrowings amounting to HK\$126,216,000 (six months ended 30 June 2014: HK\$74,555,000) and repaid bank borrowings amounting to HK\$122,269,000 (six months ended 30 June 2014: HK\$76,993,000). The loans carry interest at variable market rates ranging from 2.44% to 8.10% and are repayable with a repayment on demand clause. The proceeds were used to finance the general working capital of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

14. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2014	3,500,000	350
Increase in authorised share capital on 21 June 2014	<u>1,996,500,000</u>	<u>199,650</u>
At 31 December 2014 and 30 June 2015	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2014	1,500,000	150
Shares issued upon corporate reorganisation	400,000	40
Capitalisation of shareholders' loan	100,000	10
Capitalisation issue	298,000,000	29,800
Shares issued upon public offer and international placing	100,000,000	10,000
Shares issued upon exercise of over-allotment option	<u>15,000,000</u>	<u>1,500</u>
At 31 December 2014 and 30 June 2015	<u>415,000,000</u>	<u>41,500</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2015	31 December 2014		
	HK\$	HK\$		
Held for trading investments	1,027,000	1,044,000	Level 1	Quoted market bid price

The directors of the Company consider that the carrying amounts of the Group's financial assets recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 June 2015, the Group had significant transactions with related parties as follows:

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Associates		
– Freight income received	819	134
– Freight charge paid	11,627	9,706
– Management fee income	5	1
– Loan interest income	–	7
(ii) Joint ventures		
– Freight income received	12,390	14,465
– Freight charge paid	1,759	1,171
(iii) Related companies with common directors		
First Choice International Limited		
– Rental expenses	510	510
On Good Development Limited		
– Rental expenses	766	760
T.Y.D. Holding B.V.		
– Management fee paid	654	802
(iv) Director		
Mr. Lam		
– Acquisition of trademarks	–	9,350
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

		(Unaudited) At 30 June 2015	(Audited) At 31 December 2014
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Associates			
– Trade receivables	<i>a</i>	704	753
– Other receivables	<i>b</i>	6,126	4,970
– Other payables	<i>b</i>	155	–
		<hr/>	<hr/>
(ii) Joint ventures			
– Trade receivables	<i>c</i>	1,705	4,289
– Other receivables	<i>b</i>	360	290
		<hr/>	<hr/>
(iii) Related Companies			
Other payables			
– On Good Development Limited	<i>b</i>	27	–
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Notes:

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

	(Unaudited)	(Audited)
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	704	753

- b) The amounts are non-interest bearing, unsecured and repayable on demand.

- c) The following is an aged analysis of trade balances due from joint ventures, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited)	(Audited)
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	979	3,515
31 – 60 days	726	774
	1,705	4,289

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

17. PLEDGED ASSETS

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

	(Unaudited) 30 June 2015 <i>HK\$'000</i>	(Audited) 31 December 2014 <i>HK\$'000</i>
Trade receivables	80,912	119,927
Held-for-trading investments	1,027	1,044
Pledged bank deposits	11,050	11,088
	<u>92,989</u>	<u>132,059</u>

18. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS

Share-based payments

The Company's share option scheme was adopted pursuant to a resolution passed on 21 June 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20 June 2024 (the "Scheme").

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2015	–
Granted during the period	<u>3,012,000</u>
Outstanding as at 30 June 2015	<u>3,012,000</u>

In the current interim period, 3,012,000 share options were granted on 26 January 2015. The total fair value of the share options determined at the date of grant using the Trinomial option pricing model was HK\$1,224,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

18. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

Share-based payments (Continued)

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

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

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