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## **ON TIME LOGISTICS HOLDINGS LIMITED**

**先達國際物流控股有限公司**

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

**(Stock Code: 6123)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **FINANCIAL HIGHLIGHTS**

- The Group's revenue amounted to about HK\$3,224 million for the FY2015, representing a decrease of about 7.0% as compared to that of the FY2014 (FY2014: about HK\$3,468 million);
- Air freight business recorded a drop of about 8.7% in segment results for the FY2015 as compared to that of the FY2014, to about HK\$226 million (FY2014: about HK\$248 million);
- The Group recorded a profit attributable to owners of the Company of about HK\$50 million for the FY2015, representing a drop of about 16.2% as compared to that of the FY2014 (FY2014: about HK\$60 million); and
- The Board recommended the payment of a final dividend of HK1.3 cents per share for the FY2015 (FY2014: HK1.6 cents per share), which is subject to the approval of the Company's shareholders at the 2016 AGM.

The board (the "**Board**") of directors (the "**Directors**") of On Time Logistics Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 (the "**FY2015**"), together with the comparative audited figures for the year ended 31 December 2014 (the "**FY2014**"), as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2015

		2015	2014
	NOTES	HK\$'000	HK\$'000
Revenue	2	3,223,589	3,468,061
Cost of sales		<u>(2,702,850)</u>	<u>(2,958,299)</u>
Gross profit		520,739	509,762
Other income		8,450	5,109
Administrative expenses		(458,369)	(404,658)
Other gains or losses		(1,563)	(4,529)
Listing expenses		–	(10,015)
Share of profit (loss) of associates		336	(261)
Share of profit of joint ventures		58	1,300
Finance costs		<u>(4,292)</u>	<u>(4,961)</u>
Profit before taxation		65,359	91,747
Income tax expense	3	<u>(13,006)</u>	<u>(26,463)</u>
<b>Profit for the year</b>	4	<b><u>52,353</u></b>	<b><u>65,284</u></b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		49,900	59,573
Non-controlling interests		<u>2,453</u>	<u>5,711</u>
		<b><u>52,353</u></b>	<b><u>65,284</u></b>
<b>Earnings per share (Hong Kong cents)</b>			
Basic and diluted	5	<u>12.0</u>	<u>17.1</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the Year ended 31 December 2015*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit for the year</b>	<u>52,353</u>	<u>65,284</u>
<b>Other comprehensive (expense) income, net of income tax:</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Revaluation (decrease) increase on leasehold land and buildings	(204)	1,964
Deferred tax arising on revaluation of leasehold land and buildings	190	(406)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of reserve of associates	(6)	(7)
Share of reserve of joint ventures	(501)	(581)
Exchange difference arising from foreign operations	<u>(16,713)</u>	<u>(14,294)</u>
<b>Other comprehensive expense for the year</b>	<u>(17,234)</u>	<u>(13,324)</u>
<b>Total comprehensive income for the year</b>	<u>35,119</u>	<u>51,960</u>
<b>Total comprehensive income (expense) for the year attributable to:</b>		
Owners of the Company	35,730	49,652
Non-controlling interests	<u>(611)</u>	<u>2,308</u>
	<u>35,119</u>	<u>51,960</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>NOTES</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>7,634</b>	8,259
Property, plant and equipment		<b>48,482</b>	52,147
Goodwill		<b>14,429</b>	16,065
Intangible assets		<b>20,918</b>	25,743
Interests in associates		<b>671</b>	104
Interests in joint ventures		<b>4,390</b>	4,912
Available-for-sale investments		<b>17,976</b>	–
Deferred tax assets		<b>561</b>	272
		<b>115,061</b>	107,502
<b>Current assets</b>			
Trade receivables	7	<b>423,001</b>	480,624
Other receivables, deposits and prepayments		<b>56,868</b>	62,784
Held for trading investments		<b>929</b>	1,044
Amounts due from joint ventures		<b>5,851</b>	4,579
Amounts due from associates		<b>8,304</b>	5,723
Loan to an associate		<b>500</b>	–
Prepaid tax		<b>1,152</b>	890
Pledged bank deposits		<b>11,976</b>	11,088
Bank balances and cash		<b>242,300</b>	242,978
		<b>750,881</b>	809,710

		<b>2015</b>	2014
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	8	<b>265,029</b>	294,686
Amount due to an associate		<b>339</b>	–
Amount due to a joint venture		<b>2</b>	–
Amount due to a related company		<b>49</b>	–
Tax liabilities		<b>8,158</b>	9,489
Obligations under finance leases			
– due within one year		<b>603</b>	549
Bank borrowings		<b>98,595</b>	148,865
		<u><b>372,775</b></u>	<u>453,589</u>
<b>Net current assets</b>		<u><b>378,106</b></u>	<u>356,121</u>
<b>Total assets less current liabilities</b>		<u><b>493,167</b></u>	<u>463,623</u>
<b>Non-current liabilities</b>			
Trade and other payables – due after one year	8	<b>2,596</b>	2,483
Obligations under finance leases			
– due after one year		<b>416</b>	636
Deferred tax liabilities		<b>14,664</b>	14,941
		<u><b>17,676</b></u>	<u>18,060</u>
		<u><b>475,491</b></u>	<u>445,563</u>
<b>Capital and reserves</b>			
Share capital	9	<b>41,457</b>	41,500
Reserves		<b>404,734</b>	375,783
Net assets attributable to owners of the Company		<b>446,191</b>	417,283
Non-controlling interests		<b>29,300</b>	28,280
<b>Total equity</b>		<u><b>475,491</b></u>	<u>445,563</u>

## NOTES TO FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements included disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance.

The 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.

In the current year, the Group has applied the following amendments to 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 the above amendments to 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. SEGMENT INFORMATION

	Segment revenue		Segment results	
	2015	2014	2015	2014
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Operating and reportable segments				
Air freight	2,171,091	2,375,490	226,017	247,576
Ocean freight	895,112	974,528	128,254	116,385
General sales agency	11	3,164	(849)	2,044
Logistics	75,794	45,094	(2,613)	12,008
Others	81,581	69,785	22,014	13,330
Total	<u>3,223,589</u>	<u>3,468,061</u>	<u>372,823</u>	<u>391,343</u>
Other income			8,450	5,109
Other gains or losses			(1,563)	(4,529)
Unallocated corporate expenses			(310,453)	(296,254)
Share of profit (loss) of associates			336	(261)
Share of profit of joint ventures			58	1,300
Finance costs			<u>(4,292)</u>	<u>(4,961)</u>
Profit before taxation			<u>65,359</u>	<u>91,747</u>

### 3. INCOME TAX EXPENSE

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	<b>3,012</b>	5,001
– Enterprise Income Tax in the PRC	<b>1,333</b>	5,267
– Dutch Corporate Income Tax	<b>2,466</b>	3,885
– Indian Corporate Income Tax	<b>594</b>	460
– Vietnam Corporate Income Tax	<b>1,534</b>	1,581
– Thailand Corporate Income Tax	<b>937</b>	653
– Other jurisdictions	<b>2,396</b>	1,603
	<u>12,272</u>	<u>18,450</u>
(Over) underprovision in respect of prior years		
– Hong Kong Profits Tax	<b>(70)</b>	(398)
– Enterprise Income Tax in the PRC	<b>–</b>	5,884
– Other jurisdictions	<b>225</b>	591
	<u>155</u>	<u>6,077</u>
Deferred taxation		
– Current year	<b>579</b>	920
– Underprovision in prior years	<b>–</b>	1,016
	<u>579</u>	<u>1,936</u>
	<b><u>13,006</u></b>	<b><u>26,463</u></b>

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

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

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

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

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

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

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

#### 4. PROFIT FOR THE YEAR

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>10,977</b>	10,024
Amortisation of intangible assets	<b>3,134</b>	3,137
Impairment loss on trade receivables recognised	<b>16,019</b>	7,977
Net foreign exchange loss	<b>1,108</b>	4,481

#### 5. EARNINGS PER SHARE

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

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<b>49,900</b>	59,573



	2015	2014
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>414,906,066</b>	347,958,904
Effect of dilutive potential ordinary shares on over-allotment option	<u>          –</u>	<u>      154,481</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>414,906,066</u></b>	<b><u>348,113,385</u></b>

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 414,906,066 ordinary shares in issue during the year (2014: the weighted average number of 347,958,904 ordinary shares in issue for the year was on the assumption that the corporate reorganisation had been effective on 1 January 2014 and had been retrospectively adjusted to reflect the capitalisation issue of 298,000,000 ordinary shares in July 2014).

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

## 6. DIVIDEND

Pursuant to the resolution passed by the shareholders of the Company at the Company's annual general meeting held on 25 June 2015, a final dividend of HK1.6 cents per ordinary share in respect of the FY2014, absorbing a total amount of HK\$6,640,000, was paid on 22 July 2015 to all shareholders whose names appeared on the register of members of the Company on 8 July 2015.

The Board recommended the payment of a final dividend of HK1.3 cents per ordinary share, absorbing a total amount of about HK\$5,366,000, in respect of the FY2015, which is subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on Monday, 13 June 2016 (the "2016 AGM"). The proposed final dividend is expected to be paid on Wednesday, 27 July 2016 to all shareholders whose names to be appeared on the register of members of the Company on Wednesday, 29 June 2016.

## 7. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, based on the invoice date, which approximates the respective revenue recognition dates, at the end of each year:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 30 days	<b>236,121</b>	222,751
31 – 60 days	<b>131,355</b>	173,343
61 – 90 days	<b>33,170</b>	53,114
91 – 180 days	<b>15,367</b>	21,125
Over 180 days	<b>6,988</b>	10,291
	<b><u>423,001</u></b>	<b><u>480,624</u></b>

## 8. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of each year:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 60 days	<b>172,540</b>	207,481
61 – 180 days	<b>24,105</b>	17,858
181 – 365 days	<b>1,846</b>	1,225
1 – 2 years	<b>3,324</b>	3,424
	<b><u>201,815</u></b>	<b><u>229,988</u></b>
Trade and other payables analysed as:		
– current	<b>265,029</b>	294,686
– non-current	<b>2,596</b>	2,483
	<b><u>267,625</u></b>	<b><u>297,169</u></b>

## 9. SHARE CAPITAL

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Board announces the audited annual results of the Group for the FY2015. During the FY2015, the demand for logistics and freight forwarding services decreased corresponding with the slowdown of the global economy. However, the Group has caught the boom of the e-commerce business and gained the market share of the consolidation delivery of the small parcels.

### **Financial Results**

Same as FY2014, the Group's revenue for the FY2015 is mainly supported by the performance of the air freight business. The Group recorded revenue of about HK\$3,223.6 million during the FY2015 (FY2014: about HK\$3,468.1 million), representing a drop of about 7.0%. Gross profit amounted to about HK\$520.7 million during the FY2015 (FY2014: about HK\$509.8 million), representing a slight increase of about 2.1%. Gross profit margin during the FY2015 was about 16.2% (FY2014: about 14.7%). Net profit was about HK\$52.4 million during the FY2015 (FY2014: about HK\$65.3 million), representing a decrease of about 19.8% while the net profit attributable to owners of the Company dropped by about 16.2% to about HK\$49.9 million during the FY2015 (FY2014: about HK\$59.6 million). The decrease in net profit was mainly due to the decrease in demand for air freight services, the poor economy in Europe and South America, the increment of staff cost and rental expense due to the expansion of the sales team and ancillary and contract logistics services business, the increment in provision of doubtful debts and bad debts during the year (specially for one of the Group's agents in Brazil and the default in payment thereby and the provision for doubtful debts in respect of the outstanding trade receivable owed by that agent in FY2015), and the absence of any substantial increase in revenue brought by the air freight segment for the first six months in 2015, as contrasted with the significant increase in revenue of the air freight segment brought by the substantial increase in volume of shipments by a customer in the first six months of 2014.

### **Segmental Analysis**

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

### *Air Freight*

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 67.4% of the Group's total revenue during the FY2015 (FY2014: about 68.5%). 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, delivery of small parcels for e-commerce business and among others.

Leveraging its strong relationship with customers, during the FY2015, the Group entered into a subcontracting agreement with Posti Ltd ("**Posti**") and a logistics services agreement with Zhejiang Cainiao Supply Chain Management Co. Limited ("**Cainiao**"), which contributed to a substantial increase in shipment volume during the FY2015 and compensated parts of the absence of substantial volume of shipments during the FY2015 by a customer of the Group who had substantially increased the Group's volume of shipments in the first half year in 2014. Together with strong links with major airlines, the air freight business recorded revenue of about HK\$2,171.1 million during the FY2015 (FY2014: about HK\$2,375.5 million), representing a decrease of about 8.6%. Gross profit of the segment also dropped from about HK\$315.5 million in FY2014 to about HK\$286.8 million during the FY2015, representing a decrease of about 9.1%. In respect of air import and export tonnage, the Group noted a total decrease of tonnage of about 10.4% for the FY2015 when compared to the FY2014. During the FY2015, the Group closed down some of the offices which had been in deficit and 52 offices around the world remained as at 31 December 2015, out of which 43 offices are located in 13 Asian countries and territories, comprising Hong Kong, the PRC, Cambodia, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, the United Arab Emirates and Vietnam, 1 office in Europe and 8 offices in America.

### *Ocean Freight*

Contributing about 27.8% of the Group's total revenue during the FY2015 (FY2014: about 28.1%), 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 FY2015, despite stiff headwinds experienced in the market and slower consumer demand for ocean freight,

this segment still managed to achieve revenue with a slight drop of about 8.1% to about HK\$895.1 million (FY2014: about HK\$974.5 million). Owing to better cost control, gross profit increased to about HK\$170.2 million during the FY2015 (FY2014: about HK\$153.0 million), representing an increase of about 11.2%. The cost decreased significantly in Asia and the Middle East due to the excess supply of the ocean freight cargo space, leading to a decrease of general rate. During the FY2015, the ocean freight shipping volume handled by the Group reached 105,734 twenty-foot equivalent unit (FY2014: 106,272 twenty-foot equivalent unit), representing a slight decrease of about 0.5%.

#### *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 FY2015, due to the termination of airline appointment, the revenue of the GSA business decreased to about HK\$11,000 (FY2014: about HK\$3.2 million). Our revenue generated from GSA recorded as net agency income, and therefore our gross profit margin of the GSA business maintained at 100% during the year.

#### *Ancillary and Contract Logistics Services*

Accounting for about 2.4% of the Group's total revenue during the FY2015 (FY2014: about 1.3%), 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 FY2015, the Group has adjusted its warehouse operation to cope with market conditions. Consequently, this business result was reflected with an achievement in revenue of about HK\$75.8 million during the FY2015 (FY2014: about HK\$45.1 million), representing an increase of about 68.1% and the gross profit was about HK\$41.7 million during the FY2015 (FY2014: about HK\$24.8 million), representing an increase of about 68.1%.

## *Others*

The other businesses include trucking, combined shipments, e-commerce business 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 FY2015, the other businesses recorded revenue of about HK\$81.6 million (FY2014: about HK\$69.8 million), representing an increase of about 16.9%, and gross profit of about HK\$22.0 million (FY2014: about HK\$13.3 million), representing an increase of about 65.4%. The increase of gross profit for other businesses during the FY2015 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 2015 was about HK\$378.1 million, representing a slight increase of about 6.2% 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 2.01 times as at 31 December 2015.

As at 31 December 2015, the Group's bank balances and cash amounted to about HK\$242.3 million, representing a slight decrease of about 0.3% from about HK\$243.0 million as at 31 December 2014. For the FY2015, the Group had operating cash inflow of about HK\$102.6 million (FY2014: operating cash inflow of about HK\$68.3 million). As at 31 December 2015, the Group's outstanding bank borrowings amounted to about HK\$98.6 million (as at 31 December 2014: about HK\$148.9 million). The gearing ratio of the Group was about 20.7% as at 31 December 2015 (as at 31 December 2014: 33.4%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2015, the Group maintained a net cash position (as at 31 December 2014: net cash position). The Group will continue to secure financing as and when the need arises.

## **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 FY2015 and in FY2014. 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 FY2015.

## Capital Expenditure Commitments

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

## Charge On Assets

As at 31 December 2015, the Group had pledged the following assets 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:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	<b>57,919</b>	119,927
Held for trading investments	<b>929</b>	1,044
Pledged bank deposits	<b>11,976</b>	11,088
	<b><u>70,824</u></b>	<u>132,059</u>

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the FY2015, the Company has acquired 13% of the entire equity interest of a PRC courier company, 北京明邦物流股份有限公司 (DNJ Logistic Company Limited), with a consideration of about HK\$17.4 million. Save as disclosed above, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company during the FY2015.

## PROSPECTS

Despite the economic slowdown in Europe and South America markets for the year, looking ahead, the global demand, led by the e-commerce business and the rebound of the United States and Europe business environment, 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, total global transportation volume of cargo will reach about 105,592.2 million tonnes in 2016, which indicates considerable market growth potential.



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

To capitalize on growing demand in future, the Group has employed an aggressive market expansion strategy in Asia and the Middle East. This allows the Group to specifically meet the increasing cross-border logistics service demand, and in turn capture greater market share and trade volume. In respect of market expansion in North America, this will be facilitated by generating greater network synergies through employing quality staff, enhancing the quality of services and products and seeking strategic acquisitions. As announced by the Company on 22 May 2015, On Time Express Limited (“**OT HK**”) has entered into a subcontracting agreement with 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 Cainiao’s logistics information service platform. Furthermore, as set out in the Company’s announcement dated 22 September 2015, an indirect wholly owned subsidiary of the Company, has entered into a logistics service agreement with Cainiao, an independent third party, whereby Cainiao has appointed such subsidiary as one of its logistic service providers for the provision of the collecting, warehousing, airlines transportation, distribution, customs clearance, destination transportation and other value-added services related to logistic services to sellers of a global retail online platform who place orders through Cainiao’s logistics information service platform. The Directors do not anticipate such new venture to 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**

Apart 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 including cross-border e-commerce, 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, which were engaging in garments, footwear and electronics, 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 such platform could benefit all parties concerned. To expedite development of the e-commerce business, a dedicated team

has been established within the year, which 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. Currently, the Group has invested in two online platforms, namely, "www.holicbuy.com" and "www.bfme.com".

## **HUMAN RESOURCES**

As at 31 December 2015, the Group employed about 1,140 employees (as at 31 December 2014: about 1,100 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. Training activities have also been conducted to improve the performance of sales and marketing activities and customer services.

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

During the FY2015, the Company repurchased on the Stock Exchange a total of 434,000 shares of the Company at a total consideration of HK\$480,540. Such shares of the Company had been cancelled on 14 October 2015. Details of the share repurchases are summarized as follows:

<b>Month of repurchase</b>	<b>Total number of shares repurchased</b>	<b>Repurchase price per share</b>		<b>Aggregate consideration HK\$</b>
		<b>Highest</b>	<b>Lowest</b>	
		<i>HK\$</i>	<i>HK\$</i>	
September 2015	434,000	1.13	1.07	480,540

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the FY2015. The purchase of the Company's shares was made for the benefit of the shareholders with a view to enhancing the net asset value per share and earnings per share of the Company.

## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK1.3 cents per share, absorbing a total amount of about HK\$5,366,000, in respect of the FY2015, which is subject to the approval of the Company's shareholders at the 2016 AGM to be held on Monday, 13 June 2016. The proposed final dividend is expected to be paid on Wednesday, 27 July 2016 to all shareholders whose names to be appeared on the register of members of the Company on Wednesday, 29 June 2016.

## **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 successful listing of its shares on the Main Board of the Stock Exchange, whichever is earlier; and (ii) other facilities ("**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 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 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 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\$98.6 million. As of the date of this announcement, OT HK is in compliance with the Facility Letter.

## **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. We moved out from such premises upon expiry of the existing lease on 30 June 2015 and such arrangement has therefore ceased.

## **CHANGE OF USE OF PROCEEDS**

As announced by the Company on 30 October 2015, in view of the changes in market environment as well as the trend and economic condition in Europe, the Group has changed its expansion plan from the United States to Europe in order to capture the rebound of Europe's economy. The Board has resolved to change the proposed use of the unutilized net proceeds of about HK\$58 million as follows:

- (a) about HK\$18 million for expanding the office network of the Group by acquisitions in the PRC;
- (b) about HK\$38 million for expanding the office network of the Group by acquisitions in Europe; and
- (c) about HK\$2 million for expanding the warehouse of the Group in Hong Kong.

As at the date of this announcement, about HK\$18 million has been used for expansion of office network in the PRC, about HK\$1 million has been used for payment of professional fee on the due diligence check of the target company in Europe and about HK\$2 million has been used for expansion of warehouse in Hong Kong.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 8 June 2016 to Monday, 13 June 2016 (both days inclusive) for the purpose of determining the right to attend and vote at the 2016 AGM. In order to be qualified for attending and voting at the 2016 AGM, unregistered holders of shares of the Company 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 Tuesday, 7 June 2016.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2016 AGM, the register of members of the Company will also be closed from Monday, 27 June 2016 to Wednesday, 29 June 2016 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the FY2015. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders at the 2016 AGM), unregistered holders of shares of the Company 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, 24 June 2016.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the FY2015 as set out in this announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## **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 (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the FY2015, except for code provision A.2.1.

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 the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing the Directors' securities transactions during the FY2015.

## **AUDIT COMMITTEE**

The Company has established an audit committee which comprises the three independent non-executive Directors namely, Mr. Wong See Ho, Mr. Ng Wai Hung and Mr. Poon Ka Lee, Barry. Mr. Wong See Ho is the chairman of the audit committee.

The audit committee of the Company has discussed with the management of the Group and reviewed the audited consolidated financial results of the Group for the FY2015, including accounting principles and practices adopted by the Group, and discussed the financial reporting system and the risk management and internal control systems of the Company.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This final results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ontime-express.com](http://www.ontime-express.com). The annual report for the FY2015 will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

## **APPRECIATION**

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

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

Hong Kong, 30 March 2016

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Lam Chun Chin, Spencer, Mr. Hartmut Ludwig Haenisch, Ms. Cheung Ching Wa, Camy, Ms. Wong Pui Wah and Mr. Dennis Ronald de Wit; and three independent non-executive Directors, namely, Mr. Poon Ka Lee, Barry, Mr. Ng Wai Hung and Mr. Wong See Ho.*