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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 2016**

#### **FINANCIAL HIGHLIGHTS**

- The Group's revenue amounted to about HK\$2,867 million for the FY2016, representing a decrease of about 11.1% as compared to that of the FY2015 (FY2015: about HK\$3,224 million);
- Air freight business recorded a drop of about 22.0% in segment results for the FY2016 as compared to that of the FY2015, to about HK\$176 million (FY2015: about HK\$226 million);
- The Group recorded a profit attributable to owners of the Company of about HK\$5 million for the FY2016, representing a drop of about 90.0% as compared to that of the FY2015 (FY2015: about HK\$50 million); and
- The Board did not recommend the payment of a final dividend for the FY2016 (FY2015: HK1.3 cents per share).

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 2016 (the "**FY2016**"), together with the comparative audited figures for the year ended 31 December 2015 (the "**FY2015**"), as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2016

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

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

*For the Year ended 31 December 2016*

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>6,303</b>	52,353
<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 on leasehold land and buildings	(110)	(204)
Deferred tax arising on revaluation of leasehold land and buildings	155	190
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value on available-for- sale investment	(581)	–
Provision of impairment loss on available-for- sale investment	581	–
Share of reserve of associates	(1)	(6)
Share of reserve of joint ventures	(212)	(501)
Exchange difference arising from foreign operations	(9,767)	(16,713)
<b>Other comprehensive expense for the year</b>	<b>(9,935)</b>	(17,234)
<b>Total comprehensive (expense) income for the year</b>	<b>(3,632)</b>	35,119
<b>Total comprehensive (expense) income for the year attributable to:</b>		
Owners of the Company	(3,606)	35,730
Non-controlling interests	(26)	(611)
	<b>(3,632)</b>	35,119

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2016*

	<i>NOTES</i>	<b>2016</b>	2015
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>7,249</b>	7,634
Property, plant and equipment		<b>48,584</b>	48,482
Goodwill		<b>13,770</b>	14,429
Intangible assets		<b>17,654</b>	20,918
Interests in associates		<b>1,190</b>	671
Interests in joint ventures		<b>4,386</b>	4,390
Available-for-sale investments		<b>16,237</b>	17,976
Deferred tax assets		<b>163</b>	561
		<hr/> <b>109,233</b> <hr/>	<hr/> 115,061 <hr/>
<b>Current assets</b>			
Trade receivables	7	<b>496,150</b>	423,001
Other receivables, deposits and prepayments		<b>79,421</b>	56,868
Held for trading investments		<b>995</b>	929
Amounts due from joint ventures		<b>14,602</b>	5,851
Amounts due from associates		<b>10,523</b>	8,304
Amounts due from related companies		<b>6</b>	–
Loan to a joint venture		<b>3,414</b>	–
Loan to an associate		<b>500</b>	500
Prepaid tax		<b>3,431</b>	1,152
Pledged bank deposits		<b>10,747</b>	11,976
Bank balances and cash		<b>211,207</b>	242,300
		<hr/> <b>830,996</b> <hr/>	<hr/> 750,881 <hr/>

		2016	2015
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	8	309,685	265,029
Amount due to an associate		270	339
Amount due to a joint venture		–	2
Amount due to a related company		–	49
Tax liabilities		5,491	8,158
Obligations under finance leases			
– due within one year		498	603
Bank borrowings		145,400	98,595
		<u>461,344</u>	<u>372,775</u>
<b>Net current assets</b>		<u>369,652</u>	<u>378,106</u>
<b>Total assets less current liabilities</b>		<u>478,885</u>	<u>493,167</u>
<b>Non-current liabilities</b>			
Trade and other payables – due after one year	8	3,021	2,596
Obligations under finance leases			
– due after one year		294	416
Deferred tax liabilities		12,930	14,664
		<u>16,245</u>	<u>17,676</u>
		<u>462,640</u>	<u>475,491</u>
<b>Capital and reserves</b>			
Share capital	9	41,280	41,457
Reserves		393,659	404,734
Net assets attributable to owners of the Company		434,939	446,191
Non-controlling interests		27,701	29,300
<b>Total equity</b>		<u>462,640</u>	<u>475,491</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.

The Group had applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

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

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

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

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

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

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

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

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

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

## 2. SEGMENT INFORMATION

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



### 3. INCOME TAX EXPENSE

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

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

Under the Law of the People's Republic of China (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% in both financial years.

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

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

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

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

Malaysia Corporate Income Tax is calculated at 25% of the estimated assessable profit.

Income tax expense in Canada comprises Federal Corporate Income Tax and Provincial Corporate Income Tax at 15% and 11.5% respectively.

Pursuant to the rules and regulations of the 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>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>10,502</b>	10,977
Amortisation of intangible assets	<b>3,130</b>	3,134
Impairment loss on trade receivables recognised	<b>5,470</b>	16,019
Reversal of impairment loss on trade receivables	<b>(2,762)</b>	(2,313)
Impairment loss on available-for-sale investment	<b>581</b>	—
Net foreign exchange (gain) loss	<b>(5,602)</b>	1,108

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

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

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

## 6. DIVIDEND

Pursuant to the resolution passed by the shareholders of the Company at the Company's annual general meeting held on 13 June 2016, a final dividend of HK1.3 cents per ordinary share in respect of the FY2015, absorbing a total amount of HK\$5,366,000, was paid on 27 July 2016 to all shareholders whose names appeared on the register of members of the Company on 29 June 2016.

The Board did not recommend the payment of a final dividend in respect of the FY2016.

## 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:

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

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

## 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 60 days	227,283	172,540
61 – 180 days	8,975	24,105
181 – 365 days	1,274	1,846
1 – 2 years	3,779	3,324
	<u>241,311</u>	<u>201,815</u>
Trade and other payables analysed as:		
– current	309,685	265,029
– non-current	3,021	2,596
	<u>312,706</u>	<u>267,625</u>

## 9. SHARE CAPITAL

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Board announces the audited annual results of the Group for the FY2016. During the FY2016, the demand for air freight, ocean freight and logistics and freight forwarding services decreased with the slowdown of export from the PRC and the weakening of the global economy. The Group has caught the boom of the e-commerce business and gained the market share of the consolidation delivery of the small parcels through air freight business. However, such increment was only able to compensate part of the loss on demand for traditional forwarding business.

### **Financial Results**

The Group recorded revenue of about HK\$2,867.3 million during the FY2016 (FY2015: about HK\$3,223.6 million), representing a drop of about 11.1%. Gross profit amounted to about HK\$492.0 million during the FY2016 (FY2015: about HK\$520.7 million), representing a slight decrease of about 5.5%. Gross profit margin during the FY2016 was about 17.2% (FY2015: about 16.2%). Net profit was about HK\$6.3 million during the FY2016 (FY2015: about HK\$52.4 million), representing a decrease of about 88.0% while the net profit attributable to owners of the Company dropped by about 90.0% to about HK\$5.0 million during the FY2016 (FY2015: about HK\$49.9 million). The decrease in net profit during the FY2016 was mainly due to the excess supply in air and sea cargo space which led to aggressive competition in pricing within the industry, the increment in staff costs and rental expenses due to the expansion of the sales team and ancillary and contract logistics services business, the net loss of e-commerce companies of which certain companies were already disposed by the Group, the severance package paid to the stations managers who left the Group, and the increment in provision of legal and professional fees.

### **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*

As the small parcels business was part of the air freight business, this slightly enhanced the performance of the air freight business. The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 65.2% of the Group's total revenue during the FY2016 (FY2015: about 67.4%). 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/Cathay Dragon each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

Leveraging its strong relationship with customers, during the FY2015 and FY2016, the Group has entered into a subcontracting agreement with Posti Ltd, a logistics services agreement with Zhejiang Cainiao Supply Chain Management Co. Limited, and agreements with several post offices, respectively, which contributed to a substantial increase in shipment volume during the FY2016 and compensated parts of the drop of the demand for the traditional forwarding business during the FY2016. Together with strong links with major airlines, the air freight business recorded revenue of about HK\$1,869.0 million during the FY2016 (FY2015: about HK\$2,171.1 million), representing a decrease of about 13.9%. Gross profit of the segment also dropped from about HK\$286.8 million in the FY2015 to about HK\$242.7 million during the FY2016, representing a decrease of about 15.4%. In respect of air import and export tonnage, the Group noted a total increase of tonnage of about 18.0% for the FY2016 when compared to the FY2015. During the FY2016, the Group closed down an office which had been in deficit and remained 51 offices around the world as at 31 December 2016, 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, one office in Europe and seven offices in America.

### *Ocean Freight*

Contributing about 29.1% of the Group's total revenue during the FY2016 (FY2015: about 27.8%), 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 FY2016, 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 6.7% to about HK\$835.1 million (FY2015: about HK\$895.1 million). Owing to better cost control, gross profit increased to about HK\$175.1 million during the FY2016 (FY2015: about HK\$170.2 million), representing a slight increase of about 2.9%. The cost for ocean freight cargo space decreased significantly in Asia and the Middle East due to its excess supply, leading to a decrease of general rate. During the FY2016, the ocean freight shipping volume handled by the Group reached 115,783 twenty-foot equivalent unit (FY2015: 105,734 twenty-foot equivalent unit), representing an increase of about 9.5%.

### *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. The revenue of the GSA business increased to about HK\$123,000 during the FY2016 (FY2015: about HK\$11,000). Our revenue generated from GSA business 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 3.4% of the Group's total revenue during the FY2016 (FY2015: about 2.4%), 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 platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the FY2016, 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\$97.8 million during the FY2016 (FY2015: about HK\$75.8 million), representing an increase of about 29.0% and the gross profit was about HK\$48.2 million during the FY2016 (FY2015: about HK\$41.7 million), representing an increase of about 15.4%.

## *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 FY2016, the other businesses recorded revenue of about HK\$65.7 million (FY2015: about HK\$81.6 million), representing a decrease of about 19.4%, and gross profit of about HK\$25.9 million (FY2015: about HK\$22.0 million), representing an increase of about 17.8%. The increase of gross profit for other businesses during the FY2016 was contributed mainly by the increase of trucking and hand-carry services.

## **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 2016 was about HK\$369.7 million, representing a slight decrease of about 2.2% from about HK\$378.1 million as at 31 December 2015. The current ratio of the Group decreased from about 2.01 times as at 31 December 2015 to about 1.80 times as at 31 December 2016.

As at 31 December 2016, the Group's bank balances and cash amounted to about HK\$211.2 million, representing a decrease of about 12.8% from about HK\$242.3 million as at 31 December 2015. For the FY2016, the Group had operating cash outflow of about HK\$24.1 million (FY2015: operating cash inflow of about HK\$102.6 million). As at 31 December 2016, the Group's outstanding bank borrowings amounted to about HK\$145.4 million (as at 31 December 2015: about HK\$98.6 million). The gearing ratio of the Group was about 31.4% as at 31 December 2016 (as at 31 December 2015: 20.7%). The gearing ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2016, the Group maintained a net cash position (as at 31 December 2015: 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, US\$, RM, SGD, THB, INR, EUR, GBP, CAD, TWD, JPY, VND, IDR, KRW and AED among which, RMB, EUR and US\$ are mostly used in the Group's business apart from HK\$. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HK\$ is pegged to US\$. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the FY2016 and FY2015. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the FY2016.

## Capital Expenditure Commitments

The Group did not have any capital expenditure commitments as at 31 December 2016 (as at 31 December 2015: Nil).

## Charge On Assets

As at 31 December 2016, 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>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	<b>119,615</b>	57,919
Held for trading investments	<b>995</b>	929
Pledged bank deposits	<b>10,747</b>	11,976
	<b><u>131,357</u></b>	<u>70,824</u>

## **EVENTS AFTER THE REPORTING PERIOD**

There are no events to cause material impact on the Group from the end of the FY2016 to the date of this announcement.

## **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 FY2016.

## **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.

### **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.

### **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.

## HUMAN RESOURCES

As at 31 December 2016, the Group employed about 1,100 employees (as at 31 December 2015: about 1,140 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 FY2016, the Company repurchased on the Stock Exchange a total of 1,762,000 shares of the Company at a total consideration of HK\$2,019,280. Such shares of the Company had been cancelled on 9 March 2016. Details of the share repurchases are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2016	1,762,000	1.18	1.08	2,019,280

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 FY2016. 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 did not recommend the payment of a final dividend in respect of the FY2016 (FY2015: HK1.3 cents per share).

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

Pursuant to the facility letter entered into by the Company on 29 August 2016 (the “**Facility Letter**”), a bank in Hong Kong has agreed to grant to On Time Express Limited (“**OT HK**”), an indirect wholly owned subsidiary of the Company, banking facilities in an aggregate sum of HK\$125.2 million which shall be subject to renewal by 15 July 2018. 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 an aggregate sum of about HK\$125.2 million drawn under the Facility Letter will be liable to be declared immediately due and payable. The occurrence of such circumstance may also trigger the cross default provisions of other loan agreements and/or banking facilities entered into by the Group. As of the date of this announcement, OT HK is in compliance with the Facility Letter.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 8 June 2017 to Tuesday, 13 June 2017 (both days inclusive) for the purpose of determining the right to attend and vote at the Company’s annual general meeting to be held on Tuesday, 13 June 2017 (the “**2017 AGM**”). In order to be qualified for attending and voting at the 2017 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. (Hong Kong time) on Wednesday, 7 June 2017.

## **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 FY2016 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 FY2016, 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 FY2016.

## **POTENTIAL TRANSACTION PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE**

References are made to the respective announcements published by the Company on 7 November 2016, 7 December 2016, 6 January 2017, 25 January 2017, 27 February 2017 and 27 March 2017 made pursuant to Rule 3.7 of the Code on Takeovers and Mergers (the “**Takeovers Code**”). The Company was informed by Mr. Lam, a controlling shareholder of the Company and the chairman of the Board as well as an executive Director, that Mr. Lam entered into a letter of intent on 7 November 2016 with an independent third party as a potential purchaser of a possible transaction, which, if materialised, may lead to a change in control of the Company and trigger a mandatory general offer under the Takeovers Code for all the issued shares of the Company (the “**Potential Transaction**”). No formal or legally binding agreement for the Potential Transaction has been entered into between Mr. Lam and the independent third party as at the date of this announcement.

## **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 FY2016, 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 FY2016 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 2017

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