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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)

PROFIT WARNING

The Board wishes to inform the Shareholders and potential investors that based on the preliminary review by the Company's management on the unaudited consolidated management accounts of the Group for the year ended 31 December 2016 and other information currently available to the Board, the Group is expected to record a very substantial decrease in revenue and net profit for the year ended 31 December 2016 as compared with that of the year ended 31 December 2015.

WARNING

Shareholders and potential investors of the Company should note that the Profit Warning Statement has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Profit Warning Statement in assessing the merits and demerits of the Possible Offer. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

This announcement is made by On Time Logistics Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

Based on the preliminary review by the Company's management on the unaudited consolidated management accounts of the Group for the year ended 31 December 2016 and other information currently available to the board (the "**Board**") of directors (the "**Directors**") of the Company, the Board wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that the Group is expected to record a very substantial decrease in revenue and net profit for the year ended 31 December 2016 as compared with that of the year ended 31 December 2015 (the "**Profit Warning Statement**"), and such decrease is mainly attributable to the following:

- (a) the excess supply in air and sea cargo space during the first three quarters of 2016 led to aggressive competition in pricing within the industry. To maintain competitiveness, the Group was forced to lower its selling rates, and the Group's revenue directly suffered as a result;
- (b) the peak season during the last quarter of 2016 was unexpectedly active, which led to a shortage in cargo space in the market. In these circumstances, although the Group could provide services to new customers who were willing to pay higher rates; as a matter of customer loyalty, the Group chose to prioritize the demands of its existing clients. Since such existing clients could only be charged at a slightly increased rate, the Group did not profit as much as it expected;
- (c) the increase in staff costs and rental expenses due to the expansion of the sales team and ancillary and contract logistics services business respectively;
- (d) the increase of investment in the e-commerce business, which has not yet contributed profit to the Group;
- (e) the provision of doubtful debts and bad debts during the year ended 31 December 2016, in respect of outstanding trade receivables which amounted to approximately HK\$5.5 million as at 31 December 2016;
- (f) the severance package paid to the stations managers who left the Group during the year ended 31 December 2016; and
- (g) the provision of legal and professional fees during the year ended 31 December 2016 in respect of the Possible Offer (as defined below).

The information contained in this announcement is only based on preliminary assessment by the Company of its unaudited consolidated management accounts for the year ended 31 December 2016 and is not based on any figure or information which have been audited or reviewed by the Company's independent auditors, and may be subject to amendments. Shareholders and potential investors are advised to refer to details in the annual results announcement of the Company for the year ended 31 December 2016 which is expected to be published by the end of March 2017.

Reference is also made to the announcements published by the Company dated 7 November 2016, 8 November 2016, 7 December 2016, 6 January 2017 and 25 January 2017 regarding the entering into a letter of intent by Mr. Lam Chun Chin, Spencer (the chairman of the Board and an executive Director) with an independent third party as potential purchaser (the "**Potential Purchaser**") of a possible transaction, which, if materialised, may lead to a change in control of the Company and the Potential Purchaser would be obliged to make a mandatory general offer under The Codes on Takeovers and Mergers (the "**Takeovers Code**") for all the issued shares and other securities of the Company (other than those already owned by or agreed to be acquired by the Potential Purchaser and parties acting in concert with it) (the "**Possible Offer**").

Pursuant to Rule 10 of the Takeovers Code, the Profit Warning Statement constitutes a profit forecast and must be reported on by the Company's financial advisers and auditor. In view of the requirements of timely disclosures of the inside information under Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules), the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

The Company would like to draw the attention of the Shareholders and potential investors that the Profit Warning Statement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. The Profit Warning Statement will be reported on by the Company's financial adviser and its auditor as soon as possible in accordance with the Takeovers Code and such reports will be contained in the next document to be issued by the Company to the Shareholders (the "**Shareholders' Document**"). However, if the annual results announcement for the year ended 31 December 2016 is published prior to the next Shareholders' Document and the relevant results together with the notes to the financial statements are included in the next Shareholders' Document, such reports shall no longer be required.

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Shareholders and potential investors of the Company should note that the Profit Warning Statement has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Profit Warning Statement in assessing the merits and demerits of the Possible Offer. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 17 February 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.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.