

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

#### **FINANCIAL HIGHLIGHTS**

##### **During the Reporting Period:**

- **the Group's revenue amounted to about HK\$1,691 million, representing an increase of about 18.6% as compared to that of the corresponding period of 2013 (1H2013: about HK\$1,426 million);**
- **air freight business achieved a growth of about 37.4% in segment results as compared to that of the corresponding period of 2013, to about HK\$127 million (1H2013: about HK\$92 million); and**
- **the Group recorded a profit attributable to owners of the Company of about HK\$33 million, representing a growth of about 65.4% as compared to that of the corresponding period of 2013 (1H2013: about HK\$20 million).**

The board (the “**Board**”) of directors (the “**Directors**”) of On Time Logistics Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014 (the “**Reporting Period**”). The relevant financial figures for the six months ended 30 June 2013 (the “**1H2013**”) or other dates/periods are also set out in this announcement for comparative purposes.

The interim results of the Group for the Reporting Period have been reviewed by the Company's auditor 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 (“**HKICPA**”).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		(Unaudited)	
		Six months ended 30 June	
		2014	2013
	NOTES	HK\$'000	HK\$'000
Revenue	2	1,691,147	1,425,855
Cost of sales		<u>(1,435,367)</u>	<u>(1,213,861)</u>
Gross profit		255,780	211,994
Other income		2,055	2,402
Administrative expenses		(197,506)	(177,525)
Listing expenses		(10,013)	(6,161)
Other gains or losses		(740)	1,712
Share of loss of associates		(310)	(63)
Share of profit of joint ventures		332	160
Finance costs		<u>(2,381)</u>	<u>(2,287)</u>
Profit before tax		47,217	30,232
Income tax expenses	3	<u>(11,665)</u>	<u>(7,057)</u>
<b>Profit for the period</b>	4	<b><u>35,552</u></b>	<b><u>23,175</u></b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		33,025	19,968
Non-controlling interests		<u>2,527</u>	<u>3,207</u>
		<b><u>35,552</u></b>	<b><u>23,175</u></b>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	5		
Basic		<u>11.50</u>	<u>7.01</u>

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

*For the six months ended 30 June 2014*

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<u>35,552</u>	<u>23,175</u>
<b>Other comprehensive income (expense), net of income tax</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation increase on leasehold land and buildings	1,478	2,048
Deferred tax liability arising on revaluation of leasehold land and buildings	(387)	(322)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of reserve of associates	(1)	–
Share of reserve of joint ventures	(41)	(57)
Exchange differences arising from overseas operations	<u>(1,167)</u>	<u>(1,970)</u>
<b>Other comprehensive expense for the period</b>	<u>(118)</u>	<u>(301)</u>
<b>Total comprehensive income for the period</b>	<u>35,434</u>	<u>22,874</u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	33,147	20,203
Non-controlling interests	<u>2,287</u>	<u>2,671</u>
	<u>35,434</u>	<u>22,874</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2014*

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
		2014	2013
NOTES		HK\$'000	HK\$'000
<b>Non-current assets</b>			
Investment properties		8,261	7,809
Property, plant and equipment		51,140	51,293
Goodwill		17,942	18,111
Intangible assets		29,534	21,773
Interests in associates		61	61
Interests in joint ventures		4,483	4,193
Loans receivables – due after one year		4,882	4,834
Trade and bills receivables – due after one year	7	–	101
Deferred tax assets		394	338
		<b>116,697</b>	<b>108,513</b>
<b>Current assets</b>			
Trade and bills receivables	7	525,213	549,780
Other receivables, deposits and prepayments		85,957	69,528
Held-for-trading investments		1,083	1,086
Derivative financial instruments		–	51
Loans receivables – due within one year		2,111	2,131
Amounts due from joint ventures		5,367	3,248
Amounts due from associates		2,304	–
Amounts due from directors		42,382	15,011
Amounts due from related companies		1,043	1,052
Loan to an associate		–	388
Loans to related companies		–	677
Prepaid tax		2,463	2,412
Pledged bank deposits		3,072	3,706
Bank balances and cash		135,799	163,885
		<b>806,794</b>	<b>812,955</b>

		(Unaudited) As at 30 June 2014 HK\$'000	(Audited) As at 31 December 2013 HK\$'000
	<i>NOTES</i>		
<b>Current liabilities</b>			
Trade and other payables	8	340,155	378,889
Amount due to an associate		–	543
Amount due to a related company		175	535
Amount due to a director		34	969
Tax liabilities		9,755	11,253
Obligations under finance leases – due within one year		357	584
Bank borrowings – due within one year		149,097	165,446
		<u>499,573</u>	<u>558,219</u>
<b>Net current assets</b>		<u>307,221</u>	<u>254,736</u>
<b>Total assets less current liabilities</b>		<u>423,918</u>	<u>363,249</u>
<b>Non-current liabilities</b>			
Trade and other payables – due after one year	8	1,916	1,565
Obligations under finance leases – due after one year		556	1,033
Deferred tax liabilities		14,692	13,391
		<u>17,164</u>	<u>15,989</u>
		<u>406,754</u>	<u>347,260</u>
<b>Capital and reserves</b>			
Share capital	9	200	20,670
Reserves		377,841	299,248
		<u>378,041</u>	<u>319,918</u>
Net assets attributable to owners of the Company		378,041	319,918
Non-controlling interests		28,713	27,342
		<u>406,754</u>	<u>347,260</u>
<b>Total equity</b>		<u>406,754</u>	<u>347,260</u>

## NOTES TO INTERIM FINANCIAL INFORMATION

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

Prior to the corporate reorganisation (the “**Corporate Reorganisation**”) to rationalise the Group’s structure in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited, except for Citynet Logistics Worldwide Limited (“**Citynet**”), On Time Worldwide Logistics Limited (“**OT WW HK**”), On Time Shipping Line Limited (“**OT SL HK**”) and On Union Management Limited (“**On Union HK**”), all other group entities were held directly or indirectly by either On Time Express Limited (“**OT HK**”) or On Time Worldwide Logistics Limited (“**OT BVI**”). Citynet, OT WW HK, OT SL HK, On Union HK, OT HK and OT BVI were ultimately collectively controlled by Mr. Lam Chun Chin, Spencer (“**Mr. Lam**”) and Mr. Hartmut Ludwig Haenisch (“**Mr. Haenisch**”) (collectively the “**Ultimate Controlling Shareholders**”). On 31 July 2013, as part of the Corporate Reorganisation, the Company acquired the entire equity interest in OT BVI by issue of an aggregate of 500,000 shares of the Company at HK\$0.10 each. On 31 March 2014, the Company acquired the entire equity interest in each of Citynet, OT WW HK, OT SL HK and On Union HK, through OT BVI, at a consideration of an aggregate of 8 shares of HK\$0.10 each in the Company. On the same date, the Company acquired the entire equity interest in OT HK, through OT BVI, at a consideration of an aggregate of 399,992 shares of HK\$0.10 each in the Company. As a result, the Company became the holding company of the companies now comprising the Group on 31 March 2014. Details of the Corporate Reorganisation are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Corporate Restructuring” in the prospectus of the Company dated 30 June 2014 (“**Prospectus**”).

The Corporate Reorganisation completed on 31 March 2014 was regarded as a reorganisation of companies under common control. Accordingly, the Group resulting from the Corporate Reorganisation including the Company and its subsidiaries is regarded as a continuing entity. The condensed consolidated financial statements are prepared using merger accounting as if the Corporate Reorganisation had been in existence from the date when the combining entities first came under the control of the Ultimate Controlling Shareholders.

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

The condensed consolidated financial statements have not been audited by the Company’s auditor but have been reviewed by the Company’s audit committee and auditor.

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, 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 2014 are the same as those followed in the preparation of the Group’s combined financial information for the year ended 31 December 2013 included in the Accountants’ Report in Appendix I to the Prospectus.

In the current interim period, the Group has applied, for the first time, the following Interpretation and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Contribution of Hedge Accounting
HK (IFRIC)-Int 21	Levies

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

## 2. SEGMENT INFORMATION

### a. Segment revenue and results

	(Unaudited) Segment revenue		(Unaudited) Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Operating and reportable segment				
Air freight	<b>1,177,911</b>	928,888	<b>126,815</b>	92,288
Ocean freight	<b>452,173</b>	440,945	<b>55,606</b>	60,507
General sales agency	<b>1,411</b>	1,483	<b>852</b>	689
Logistics	<b>19,803</b>	27,396	<b>5,563</b>	4,567
Others	<b>39,849</b>	27,143	<b>10,741</b>	912
Total	<b><u>1,691,147</u></b>	<u>1,425,855</u>	<b><u>199,577</u></b>	158,963
Share of loss of associates			<b>(310)</b>	(63)
Share of profit of joint ventures			<b>332</b>	160
Other income			<b>2,055</b>	2,402
Other gains or losses			<b>(740)</b>	1,712
Unallocated corporate expenses			<b>(151,316)</b>	(130,655)
Finance costs			<b>(2,381)</b>	(2,287)
Profit before tax			<b><u>47,217</u></b>	<u>30,232</u>

### 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.

### 3. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax	3,710	3,023
– Enterprise Income Tax in the PRC	2,431	26
– Dutch Corporate Income Tax	1,501	2,016
– Indonesian Corporate Income Tax	258	418
– Vietnam Corporate Income Tax	870	516
– Other Jurisdictions	1,731	801
	<u>10,501</u>	<u>6,800</u>
(Over) under provision in respect of prior years		
– Vietnam Corporate Income Tax	–	(15)
– Other Jurisdictions	249	163
	<u>249</u>	<u>148</u>
Deferred taxation	<u>915</u>	<u>109</u>
	<u><b>11,665</b></u>	<u><b>7,057</b></u>

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 (the "PRC") 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 (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 PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	<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	4,707	4,460
Amortisation of intangible assets	1,396	1,301
Impairment loss on trade receivables	3,638	1,609
Net exchange loss (gain)	<u>1,163</u>	<u>(1,444)</u>

#### 5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit attributable to owners of the Company and the weighted average number of 287,154,696 (six months ended 30 June 2013: 285,000,000) ordinary shares in issue during the period on the assumption that the Corporate Reorganisation has been effective on 1 January 2013 and has been retrospectively adjusted to reflect the capitalisation issue of 298,000,000 ordinary shares of HK\$0.10 each of the Company on 10 July 2014.

No diluted earnings per share has been presented as there were no outstanding potential ordinary shares during the six months ended 30 June 2014 and 30 June 2013.

#### 6. DIVIDEND

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

No dividends were paid, declared or proposed during the six months ended 30 June 2014 and 2013.

## 7. TRADE AND BILLS RECEIVABLES

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

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

	(Unaudited) As at <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	(Audited) As at 31 December 2013 <i>HK\$'000</i>
0 – 30 days	233,245	265,282
31 – 60 days	162,123	184,993
61 – 90 days	83,022	60,761
91 – 180 days	33,101	26,709
Over 180 days	13,722	12,136
	<u>525,213</u>	<u>549,881</u>
Analysed as:		
– current	525,213	549,780
– non-current	–	101
	<u>525,213</u>	<u>549,881</u>

## 8. 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) As at <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	(Audited) As at 31 December 2013 <i>HK\$'000</i>
Within 60 days	212,826	259,903
61 – 180 days	32,949	30,919
181 – 365 days	1,935	1,933
1 – 2 years	2,625	2,814
	<u>250,335</u>	<u>295,569</u>
Trade and other payables analysed as:		
– current	340,155	378,889
– non-current	1,916	1,565
	<u>342,071</u>	<u>380,454</u>

## 9. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Share Capital HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 6 March 2013 (date of incorporation) and 31 December 2013	3,500,000	350
Increase in authorised share capital on 21 June 2014	<u>1,996,500,000</u>	<u>199,650</u>
At 30 June 2014	<u>2,000,000,000</u>	<u>200,000</u>
	<b>Number of ordinary shares</b>	<b>Share Capital HK\$'000</b>
Issued and fully paid:		
Allotted and issued on 6 March 2013	1,000,000	100
Issue of shares upon Corporate Reorganisation on 31 July 2013	<u>500,000</u>	<u>50</u>
At 31 December 2013	1,500,000	150
Share issued upon Corporate Reorganisation on 31 March 2014	400,000	40
Capitalisation of shareholders' loan on 5 June 2014	<u>100,000</u>	<u>10</u>
At 30 June 2014	<u>2,000,000</u>	<u>200</u>

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

## 10. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a. Pursuant to the written resolutions passed by all shareholders of the Company dated 21 June 2014, conditional on the share premium account of the Company being credited as a result of the offering of the shares of the Company to the public in Hong Kong and international placing of the shares of the Company, the directors of the Company were authorised to capitalise an amount of HK\$29,800,000 standing to the credit of the share premium account of the Company on 10 July 2014 by applying such sum in paying up in full at par 298,000,000 ordinary shares of HK\$0.10 each of the Company for allotment and issue to the shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 21 June 2014.
- b. On 10 July 2014, 100,000,000 ordinary shares of HK\$0.10 each of the Company were allotted and issued at the price of HK\$1.18 per share by way of public offer in Hong Kong and international placing. On 11 July 2014, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. On 23 July 2014, 15,000,000 ordinary shares of HK\$0.10 each of the Company were allotted and issued at the price of HK\$1.18 per share pursuant to the exercise of the over-allotment option.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Board is pleased to announce the first interim results of the Company since the successful listing (the “**Listing**”) of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 July 2014 (the “**Listing Date**”).

During the Reporting Period, the demand for logistics and freight forwarding services continued to rise. Such growth was in line with market development of the past consecutive years, with total revenue of the global logistics industry having risen at a compound annual growth rate (CAGR) of 8.4% from 2008 to 2013, while revenue of the logistics industry in Asia and North America accounted for over 70% in 2013 alone.

### Financial Results

Supported by the solid performance of the air freight business, the Group recorded revenue of about HK\$1,691.1 million during the Reporting Period (1H2013: about HK\$1,425.9 million), representing a period-on-period rise of about 18.6%. Gross profit amounted to about HK\$255.8 million (1H2013: about HK\$212.0 million), representing a period-on-period increase of about 20.7%. Gross profit margin was about 15.1% (1H2013: about 14.9%), while net profit attributable to owners of the Company rose significantly by about 65.4% period-on-period to about HK\$33.0 million (1H2013: about HK\$20.0 million). The significant increase in net profit was mainly due to the general increase in demand from customers. In particular, the significant increase in revenue was brought by the air freight segment as one of the customers of the Group has substantially increased its volume of shipments during the Reporting Period as compared to the corresponding period of 2013.

### Segmental Analysis

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

## *Air Freight*

The air freight forwarding business constituted the largest business segment of the Group, representing about 69.7% of the Group's total revenue during the Reporting Period. It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including honours from the World Cargo Alliance, and "Top Agent Award" from Cathay Pacific Cargo/Dragonair Cargo each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, among others.

Leveraging its strong relationship with customers – a number of whom contributed to a substantial increase in shipment volume during the Reporting Period – and strong links with major airlines, the air freight business recorded revenue of about HK\$1,177.9 million (1H2013: about HK\$928.9 million), representing a significant rise of about 26.8% as compared to the corresponding period of 2013. Gross profit of the segment also improved from about HK\$123.6 million in the corresponding period of 2013 to about HK\$160.3 million during the Reporting Period, representing an increase of about 29.7% period-on-period.

In respect of air import and export tonnage, the Group achieved exceptional period-on-period growth of about 9.2% and 17.6% respectively, the result of its established market position and extensive network coverage that includes 54 offices around the world as at 30 June 2014, 44 offices of which are located in 13 Asian countries and territories, comprising Hong Kong, China, Cambodia, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan, Thailand, the United Arab Emirates and Vietnam. This comprehensive geographical presence has enabled the Group to capture increasing market demand globally by leveraging its cross-border advantages. During the Reporting Period, South Asia achieved the most significant increase in air import and export tonnage, surging by about 130.3% and 35.7% respectively. As for China and Hong Kong, the Group experienced a period-on-period increase in gross profit of about 43.3% and 22.6% respectively, which also contributed to the boost in the Group's net profit.

### *Ocean Freight*

Contributing about 26.7% of the Group's total revenue during the Reporting Period, 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 Reporting Period, despite stiff headwinds experienced in the market and slower consumer demand, this segment still managed to achieve revenue growth of about 2.6% period-on-period to about HK\$452.2 million (1H2013: about HK\$440.9 million). However, owing to rising costs, gross profit slipped to about HK\$72.3 million (1H2013: about HK\$74.8 million). Depending on market conditions, the Group sought to transfer such costs to its customers so as to reduce the cost burden and improve the segment's performance. The cost increased significantly in North America due to the potential labour strike in the west coast, the United States leading to increase of general rate or application of peak season surcharge by shipping lines when issuing bill of lading. During the Reporting Period, the ocean freight shipping volume handled by the Group reached 50,288 twenty-foot equivalent unit, representing a decrease of about 3.6% from the corresponding period of 2013.

### *General Sales Agency Business*

The general sales agency ("GSA") business involves agreements entered between the Group and regional airlines, whereby the Group subsequently acts as a wholesaler of the airlines' cargo space. During the Reporting Period, despite the termination of one airline appointment, the GSA business managed to perform at a comparable level as the corresponding period of 2013, with revenue of about HK\$1.4 million (1H2013: about HK\$1.5 million). Our revenue generated from GSA recorded as net agency income, therefore our gross profit margin from GSA maintained at 100% during the Reporting Period and 1H2013.

### *Ancillary and Contract Logistics Services*

Accounting for 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 service for export shipments from the shipper's location to the outgoing port, delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's IT platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation to cope with market conditions. Consequently, this business achieved revenue of about HK\$19.8 million (1H2013: about HK\$27.4 million) and gross profit of about HK\$11.0 million (1H2013: about HK\$11.2 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\$39.8 million (1H2013: about HK\$27.1 million) and gross profit of about HK\$10.7 million (1H2013: about HK\$0.9 million). The increase of gross profit for other businesses during the Reporting Period was significantly contributed by the increase of combined shipments.

## **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 2014 was about HK\$307.2 million, representing an increase of about 20.6% from about HK\$254.7 million as at 31 December 2013. The current ratio of the Group improved from about 1.46 times as at 31 December 2013 to about 1.61 times as at 30 June 2014.

As at 30 June 2014, the Group's bank balances and cash amounted to about HK\$135.8 million, representing a decrease of about 17.1% from about HK\$163.9 million as at 31 December 2013. For the Reporting Period, the Group had operating cash inflow of about HK\$10.4 million (1H2013: operating cash outflow of about HK\$18.9 million).

As at 30 June 2014, the Group's outstanding bank borrowings amounted to about HK\$149.1 million (as at 31 December 2013: about HK\$165.4 million). The gearing ratio of the Group was about 36.7% as at 30 June 2014 (as at 31 December 2013: 47.6%). The ratio was calculated as total bank borrowings divided by total equity of the Group. Net debt to equity ratio was about 3.27% as at 30 June 2014 (as at 31 December 2013: 0.45%). The Group will continue to secure financing as and when the need arises.

As at 30 June 2014, guarantee given to banks in respect of banking facilities granted and utilised by a related company in which Mr. Lam and Mr. Haenisch have beneficial interest amounted to about HK\$25,778,000 (as at 31 December 2013: about HK\$916,000). The guarantee has been subsequently released upon the successful Listing of the Company on the Main Board of the Stock Exchange.

## **Foreign Exchange Risk**

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

The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2013. 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 2014 (as at 31 December 2013: Nil).

## **Charge on Assets**

As at 30 June 2014, the Group had pledged bank deposits of about HK\$3.1 million as securities against banking facilities granted to the Group (as at 31 December 2013: about HK\$3.7 million).

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

To rationalise the current structure of the Group for the Listing, the Company underwent the Corporate Reorganisation, pursuant to which the Company became the holding company of the subsidiaries of the Company now comprising the Group. Details of the Corporate Reorganisation have been set out in the Prospectus.

Save for the Corporate Reorganisation, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company during the Reporting Period.



## **PROSPECTS**

Looking ahead, the global demand for logistics and freight forwarding services is expected to remain healthy in the medium to long term. According to a market research conducted by a market research institution which was commissioned by the Company, 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.

### *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.

### *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 will be established within the second half of 2014, and will 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.

## **HUMAN RESOURCES**

As at 30 June 2014, the Group employed about 1,060 employees (as at 30 June 2013: about 1,040 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Please refer to the announcement dated 21 July 2014 issued by the Company in relation to the insufficiency of its public float. As set out in the announcement of the Company dated 23 July 2014, the public float of the Company has been restored.

Based on the current information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

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

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2014. Since the Listing Date and up to the date of this announcement, 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, whichever is earlier; and (ii) other facilities in the aggregate sum of HK\$60 million which shall be subject to renewal by 15 July 2015. On 7 July 2014, the Group has drawn the Bridging Loan of HK\$36.6 million. As of the date of this announcement, the Bridging Loan has been fully repaid. The Facility Letter contains a condition which requires 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\$60 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 2014, the total amount of the loan drawn by the Group from these loan agreements and/or banking facilities amounted to about HK\$27.2 million. As of the date of this announcement, OT HK is in compliance with the Facility Letter.

## **REGULATORY COMPLIANCE**

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

## **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 for the period from the Listing Date up to the date of this announcement, 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 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 Directors’ securities transactions since the Listing Date and up to 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 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.

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.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim 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 interim report for the Reporting Period 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*

Hong Kong, 28 August 2014

*As at the date of this announcement, the Board comprises Mr. LAM Chun Chin, Spencer, Mr. Hartmut Ludwig HAENISCH, Ms. CHEUNG Ching Wa, Camy, Ms. WONG Pui Wah and Mr. Dennis Ronald DE WIT as executive Directors; and Mr. POON Ka Lee, Barry, Mr. NG Wai Hung and Mr. WONG See Ho, as independent non-executive Directors.*