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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF BEST LOADER LOGISTICS AND BEST LOADER LOGISTICS SHANGHAI AND CHANGE IN USE OF PROCEEDS

THE ACQUISITIONS

On 5 May 2017 (after trading hours), On Time BVI, a wholly-owned subsidiary of the Company, entered into the First Acquisition Agreement with the Vendor and the Guarantor, pursuant to which On Time BVI has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 1,000,000 shares of Best Loader Logistics, representing 100% of the issued share capital of Best Loader Logistics at the consideration of HK\$3 million subject to and in accordance with the terms and conditions of the First Acquisition Agreement.

On 5 May 2017 (after trading hours), On Line Service, an indirect wholly-owned subsidiary of the Company, entered into the Second Acquisition Agreement with the Vendor and the Guarantor, pursuant to which On Line Service has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 100% of the issued share capital of Best Loader Logistics Shanghai at the consideration of HK\$27 million subject to and in accordance with the terms and conditions of the Second Acquisition Agreement.

IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing rules) in respect of the Acquisitions exceeds 5% but is less than 25%, the Acquisitions, in aggregate, constitute a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITIONS

(I) THE FIRST ACQUISITION AGREEMENT

Set out below are the principal terms of the First Acquisition Agreement:

Date: 5 May 2017 (after trading hours)

Parties: (1) the Vendor (as vendor);
(2) On Time BVI (as purchaser); and
(3) the Guarantor (as guarantor for the Vendor).

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owners (including the Guarantor) are Independent Third Parties.

Sale shares to be acquired: 1,000,000 shares of Best Loader Logistics, representing 100% of the entire issued shares of Best Loader Logistics as at the date of this announcement.

Consideration: Subject to and conditional upon the terms and conditions of the First Acquisition Agreement, the purchase price payable by On Time BVI for the sale shares to be acquired will be HK\$3 million and shall be paid in the following manner:

(a) upon completion of the First Acquisition Agreement, HK\$2,200,000 shall be paid to the Vendor ;

(b) within five Business Days after the agreement or determination of the 2017 Accounts, 2018 Accounts and 2019 Accounts, respectively, On Time BVI shall pay to the Vendor the remaining balance of the purchase price in the following manner:

(i) HK\$300,000 to the Vendor if the 2017 NAV Guarantee is fulfilled;

(ii) HK\$250,000 to the Vendor if the 2018 NAV Guarantee is fulfilled; and

(iii) HK\$250,000 to the Vendor if the 2019 NAV Guarantee is fulfilled.

For avoidance of doubt, in the event that the NAV Guarantee for the relevant year is not fulfilled, the payment for the respective period shall not be payable, the purchase price shall be reduced by such amount and On Time BVI is not under an obligation to make the relevant payment to the Vendor.

The consideration under the First Acquisition Agreement was negotiated on an arm's length basis and was determined with reference to adjusted net profits for the year 2016.

Conditions precedent:

Completion is conditional on the following conditions being satisfied, or waived by On Time BVI, on or before Conditions Deadline A:

- (a) (i) the obtaining on terms acceptable to On Time BVI, of all consents, approvals, clearances and authorisations of any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere as may be necessary by On Time BVI for the execution and implementation of the First Acquisition Agreement;
 - (ii) receipt by Best Loader Logistics of all relevant consents and approvals from third parties as may be necessary in conjunction with the proposed change in shareholding of Best Loader Logistics so as to ensure that it maintains all its existing contractual and other rights and assets in their current state following completion;
 - (iii) the consents, approvals, clearances and authorisations referred to in (a) and (b) not being revoked, withdrawn or modified in a manner not acceptable to On Time BVI at any time before completion; and
- (b) the Company undertaking a due diligence review of Best Loader Logistics and being satisfied with such review in all respects.

On Time BVI shall use all reasonable endeavours to procure the satisfaction of the condition set out in paragraph (b) above as soon as reasonably practicable and in any event before the Conditions Deadline A. The Vendor shall use all reasonable endeavours to procure the satisfaction of the conditions (save for paragraph (b) above) as soon as reasonably practicable and in any event before the Conditions Deadline A. On Time BVI may at any time waive in writing any of the conditions set out in paragraph (a) and (b) on such terms as it may decide. If any of the conditions (which have not previously been waived by On Time BVI) have not been satisfied on or before the Conditions Deadline A then On Time BVI may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendor to postpone the Completion or to terminate the First Acquisition Agreement.

Guarantee:

The Guarantor has provided a continuing guarantee to cover the obligations of the Vendor under the First Acquisition Agreement.

Completion:

Completion shall take place the third Business Day after the first date on which all the conditions have been satisfied or waived.

(II) THE SECOND ACQUISITION AGREEMENT

Set out below are the principal terms of the Second Acquisition Agreement:

Date: 5 May 2017 (after trading hours)

Parties: (1) the Vendor (as vendor);
(2) On Line Service (as purchaser); and
(3) the Guarantor(as guarantor for the Vendor).

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owners (including the Guarantor) are Independent Third Parties.

Sale shares to be acquired: 100% of the entire issued shares of Best Loader Logistics Shanghai as at the date of this announcement.

Consideration: Subject to and upon the terms and conditions of the Second Acquisition Agreement, the purchase price payable by the Company shall be HK\$27,000,000, which shall be paid in the following manner:

- (a) upon completion of the Second Acquisition Agreement, the amount of the first payment of HK\$14,158,000, being HK\$19,800,000 deducting the outstanding registered capital of Best Loader Logistics Shanghai amounting to RMB5,000,000 (equivalent to approximately HK\$5,642,000) shall be paid to the Vendor;
- (b) within five Business Days after the agreement or determination of the 2017 SH Accounts, 2018 SH Accounts and 2019 SH Accounts, respectively, the Company shall pay to the Vendor the remaining balance of the purchase price in the following manner:
 - (i) HK\$2,700,000 to the Vendor if the 2017 SH NAV Guarantee is fulfilled;

- (ii) HK\$2,250,000 to the Vendor if the 2018 SH NAV Guarantee is fulfilled; and
- (iii) HK\$2,250,000 to the Vendor if the 2019 SH NAV Guarantee is fulfilled.

For avoidance of doubt, in the event that the SH NAV Guarantee for the relevant year is not fulfilled, the payment for the respective period shall not be payable, the purchase price shall be reduced by such amount and On Line Service is not under an obligation to make the relevant payment to the Vendor.

The purchase price and all other terms of the Second Acquisition Agreement were negotiated on an arm's length basis and were determined with reference to adjusted net profits for the year 2016.

Conditions precedent:

Completion is conditional on the following conditions being satisfied, or waived by On Line Service, on or before Conditions Deadline B:

- (a) (i) the obtaining on terms acceptable to On Line Service, of all consents, approvals, clearances and authorisations of any relevant governmental authorities or other relevant third parties in Hong Kong, the PRC or elsewhere as may be necessary by On Line Service for the execution and implementation of the Second Acquisition Agreement;

- (ii) the Vendor having made online record-filing with the competent local department of the Ministry of Commerce of the PRC in respect of the share transfer under the Second Acquisition Agreement (via: <http://wzzxbs.mofcom.gov.cn/WebProBA/app/entp/approve>) and submit online Application Form for Record-filing of the Changes of Foreign-invested Enterprises (《外商投資企業變更備案申報表》), and obtain the Acknowledgement of the Record-filing of the Change of Foreign-invested Enterprises (《外商投資企業變更備案回執》);
- (iii) the Vendor having made necessary filing or registration with the competent Administration of Industry and Commerce of the PRC in respect of the sale and purchase under the Second Acquisition Agreement and the change of directors, legal representative and supervisor of Best Loader Logistics Shanghai, and obtain the updated business license of Best Loader Logistics Shanghai reflecting On Line Service as the holder of the sale shares and such person as designated by On Line Service as the legal representative of Best Loader Logistics Shanghai;
- (iv) receipt by Best Loader Logistics Shanghai of all relevant consents and approvals from third parties as may be necessary in conjunction with the proposed change in shareholding of Best Loader Logistics Shanghai so as to ensure that it maintains all its existing contractual and other rights and assets in their current state following completion;
- (v) the consents, approvals, clearances and authorisations referred to above not being revoked, withdrawn or modified in a manner not acceptable to On Line Service at any time before completion; and

- (b) the Company undertaking a due diligence review of Best Loader Logistics Shanghai and being satisfied with such review in all respects.

On Line Service shall use all reasonable endeavours to procure the satisfaction of the conditions set out in paragraphs (b) above as soon as reasonably practicable and in any event before the Conditions Deadline B. The Vendor shall use all reasonable endeavours to procure the satisfaction of the conditions (save for paragraphs (a) above) as soon as reasonably practicable and in any event before the Conditions Deadline B. On Line Service may at any time waive in writing any of the conditions set out in paragraph (a)(i), (iv) and (v) to (b) on such terms as it may decide. If any of the conditions (which have not previously been waived by the On Line Service) have not been satisfied on or before the Conditions Deadline B then On Line Service may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendor to postpone the Completion or to terminate the Second Acquisition Agreement.

- Guarantee: The Guarantor has provided a guarantee to cover the obligations of the Vendor under the Second Acquisition Agreement.
- Completion: Completion shall take place the third Business Day after the first date on which all the conditions have been satisfied or waived.

INFORMATION ON THE VENDOR, THE GUARANTOR, BEST LOADER LOGISTICS AND BEST LOADER LOGISTICS SHANGHAI

The Vendor is a company incorporated in Hong Kong with limited liability and is principally engaged in the investment holding business. The Guarantor holds 60% interests in the Vendor. As at the date of this announcement, the Vendor holds 100% interests in Best Loader Logistics and Best Loader Logistics Shanghai which respectively are primarily engaged in the freight forwarding business in Hong Kong and the PRC.

Set out below is a summary of certain unaudited financial information of Best Loader Logistics and Best Loader Logistics Shanghai for the two years ended 31 December 2015 and 2016:

Best Loader Logistics

	For the year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	395	416
Profit after tax	330	347
	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	9,578	15,479
Net assets	339	1,676

Best Loader Logistics Shanghai

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	Nil	3,171
Profit after tax	Nil	2,373
	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	Nil	11,703
Net assets	Nil	2,263

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group specialises in international air and sea freight forwarding as well as warehousing and value-added logistics and distribution. The Group further provides support services in relation to origin management, key account management, customs and compliance, web-based supply chain visibility and supply chain consultancy.

The Acquisitions represent a continuation of the Group's stated strategy to grow its business organically and through acquisition. As the Group looks to acquire businesses to complement its current network and services, the Board believes that the Acquisitions represent a good opportunity to further expand the Group's capabilities in Hong Kong and the PRC, as well as its market presence in India, Turkey and the Middle East.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing rules) in respect of the Acquisitions exceeds 5% but is less than 25%, the Acquisitions in aggregate, constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the completion of the Acquisitions are subject to the satisfaction and/or waiver, where applicable, of the conditions set out in the First Acquisition Agreement and the Second Acquisition Agreement, respectively, the Acquisitions may or may not proceed to completion. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any securities of the Company.

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of the Company dated 30 June 2014 (the “**Prospectus**”) in relation to the global offering (the “**Global Offering**”) and the announcement of the Company dated 30 October 2015 (the “**2015 Announcement**”) in relation to the change in use of proceeds.

The net proceeds from the Global Offering, after taking into account the exercise of the over-allotment option and after deducting the underwriting fees, commissions and other expenses in relation thereto, were approximately HK\$109.8 million. As disclosed in the Prospectus, the net proceeds were intended to be used by the Company in the following manner:

- (a) approximately HK\$42.2 million for expanding the office network of the Group in Asia and North America;
- (b) approximately HK\$3.5 million for expanding existing contract logistics facilities in the United States and the PRC;
- (c) approximately HK\$8.1 million for building and upgrading hardware and software for the IT system of the Group;
- (d) approximately HK\$10.2 million for recruiting additional personnel for the sales, contract logistics, business development and management teams of the Group in the PRC, the United States, Taiwan, the UAE and Japan;
- (e) approximately HK\$36.6 million for the repayment of a short-term bank loan; and
- (f) approximately HK\$9.2 million for general working capital and general corporate purposes.

As disclosed in the 2015 Announcement, in view of the changes in market environment as well as its trend and the economy 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 had resolved to change the proposed use of the unutilised net proceeds of approximately HK\$58 million as follows:

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

As at the date of this announcement, the Group had used approximately HK\$18 million for expanding the office network of the Group by acquisitions in the PRC, approximately HK\$1 million for expanding the office network of the Group by acquisitions in Europe and approximately HK\$2 million for expanding the warehouse of the Group in Hong Kong. As such, the unutilised net proceeds from the Global Offering amount to approximately HK\$37 million.

In view of the changes in market environment in Europe and for reasons mentioned under the paragraphs headed "Reasons for and benefits of the Acquisitions" above, the Group has changed its expansion plan from Europe to the acquisition of other Hong Kong or PRC's businesses. The Board has resolved to change the proposed unutilised net proceeds of approximately HK\$37 million as follows:

- (a) HK\$30 million for the Acquisitions; and
- (b) HK\$7 million for general working capital and general corporate purposes.

The Directors (including the independent non-executive Directors) consider the above change of the use of the net proceeds from the Global Offering is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings set out below:

“2017 Accounts”	the accounts (and notes thereto) for Best Loader Logistics for the financial year 31 December 2017 prepared in accordance with the First Acquisition Agreement;
“2017 SH Accounts”	the accounts (and notes thereto) for Best Loader Logistics Shanghai for the financial year 31 December 2017 prepared in accordance with the Second Acquisition Agreement;
“2017 NAV Guarantee”	HK\$3,000,000;
“2017 SH NAV Guarantee”	HK\$3,500,000;
“2018 Accounts”	the accounts (and notes thereto) for Best Loader Logistics for the financial year 31 December 2018 prepared in accordance with the First Acquisition Agreement;
“2018 SH Accounts”	the accounts (and notes thereto) for Best Loader Logistics Shanghai for the financial year 31 December 2018 prepared in accordance with the Second Acquisition Agreement;
“2018 NAV Guarantee”	HK\$4,700,000;
“2018 SH NAV Guarantee”	HK\$5,300,000;
“2019 Accounts”	the accounts (and notes thereto) for Best Loader Logistics for the financial year 31 December 2019 prepared in accordance with the First Acquisition Agreement;
“2019 SH Accounts”	the accounts (and notes thereto) for Best Loader Logistics Shanghai for the financial year 31 December 2019 prepared in accordance with the Second Acquisition Agreement;

“2019 NAV Guarantee”	HK\$7,100,000;
“2019 SH NAV Guarantee”	HK\$7,900,000;
“Acquisitions”	the acquisitions contemplated under the Agreements;
“Agreements”	collectively, the First Acquisition Agreement and the Second Acquisition Agreement;
“Best Loader Logistics”	Best Loader Logistics Company Limited, a limited liability company incorporated under the laws of Hong Kong;
“Best Loader Logistics Shanghai”	翼尊國際貨運代理(上海)有限公司, a limited liability company established under the laws of PRC;
“Board”	the board of Directors;
“Business Day”	a day (excluding public holidays, Saturdays and Sundays) on which commercial banks are generally open for banking business in Hong Kong;
“Company”	On Time Logistics Holdings Limited, a company incorporated under the laws of the Cayman Islands, the issued shares of which are listed on the Stock Exchange;
“Conditions Deadline A”	30 November 2017;
“Conditions Deadline B”	30 November 2017;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“Director(s)”	the directors(s) of the Company;
“First Acquisition Agreement”	the agreement for the sale and purchase of the shares of Best Loader Logistics dated 5 May 2017 entered into between On Time BVI, the Vendor and the Guarantor;
“Group”	the Company and its subsidiaries;
“Guarantor”	Ms. Chan Yi Lam, who owns 60% interests in the Vendor;
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties” or “Independent Third Party”	a third party which is independent of and not connected with the Company and its subsidiaries and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NAV Guarantee”	2017 NAV Guarantee, 2018 NAV Guarantee and 2019 NAV Guarantee, or any one of them;
“On Line Service”	On Line Service Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company as at the date of this announcement;
“On Time BVI”	On Time Worldwide Logistics Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the date of this announcement;

“PRC”	the People’s Republic of China, for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency in the PRC;
“Second Acquisition Agreement”	the agreement for the sale and purchase of the shares of Best Loarder Logistics Shanghai dated 5 May 2017 entered into between On Line Service, the Vendor and the Guarantor;
“Shares”	ordinary share(s) in the capital of the Company with a nominal value of HK\$0.1 each;
“Shareholder(s)”	holder(s) of Shares;
“SH NAV Guarantee”	2017 SH NAV Guarantee, 2018 SH NAV Guarantee and 2019 SH NAV Guarantee, or any one of them;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor ”	Air Partner Logistics Company Limited, a company incorporated under the laws of Hong Kong;
“%”	per cent.

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, 5 May 2017

As at the date of this announcement, the Board comprises of 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 of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquires, 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 statements in this announcement misleading.