YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED
圓通速遞（國際）控股有限公司

(Formerly known as 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 2017

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to about HK$3,671 million for the FY2017, representing an increase of about 28.0% as compared to that of the FY2016 (FY2016: about HK$2,867 million);
- Air freight business recorded an increase of about 31.4% in segment results for the FY2017 as compared to that of the FY2016, to about HK$232 million (FY2016: about HK$176 million);
- The Group recorded a profit attributable to owners of the Company of about HK$98 million for the FY2017, an increase of about 1,863.0% as compared to that of the FY2016 (FY2016: about HK$5 million); and
- The Board recommended the payment of a final dividend of HK2.3 cents per share for the FY2017 (FY2016: nil), which is subject to the approval of the Company's shareholders at the 2018 AGM.

The board (the "**Board**") of directors (the "**Directors**") of YTO Express (International) Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**FY2017**"), together with the comparative audited figures for the year ended 31 December 2016 (the "**FY2016**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Revenue	2	**3,670,514**	2,867,339
Cost of sales		**(3,098,754)**	(2,375,321)
Gross profit		**571,760**	492,018
Other income		**9,962**	6,346
Administrative expenses		**(475,810)**	(480,991)
Other gains or losses		**20,944**	5,320
Share of profit of associates		**307**	353
Share of profit (loss) of joint ventures		**1,076**	(3,683)
Finance costs		**(4,729)**	(3,327)
Profit before taxation		**123,510**	16,036
Income tax expense	3	**(22,525)**	(9,733)
Profit for the year	4	**100,985**	6,303
Profit for the year attributable to:			
Owners of the Company		**97,501**	4,967
Non-controlling interests		**3,484**	1,336
		100,985	6,303
Earnings per share (Hong Kong cents)			
Basic	5	**23.56**	1.20
Diluted	5	**23.51**	1.20

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**100,985**	6,303
Other comprehensive income (expense), net of income tax:		
Items that will not be reclassified subsequently to profit or loss		
Revaluation increase (decrease) on leasehold land and buildings	**1,165**	(110)
Deferred tax arising on revaluation of leasehold land and buildings	**(156)**	155
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale investment	**–**	(581)
Provision of impairment loss on available-for-sale investment	**–**	581
Share of other comprehensive income of associates	**293**	(1)
Share of other comprehensive income of joint ventures	**727**	(212)
Exchange difference arising from foreign operations	**10,390**	(9,767)
Reclassification adjustment upon disposal of subsidiaries	**202**	–
Other comprehensive income (expense) for the year	**12,621**	(9,935)
Total comprehensive income (expense) for the year	**113,606**	(3,632)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**105,850**	(3,606)
Non-controlling interests	**7,756**	(26)
	113,606	(3,632)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Non-current assets			
Investment properties		**7,531**	7,249
Property, plant and equipment		**49,203**	48,584
Goodwill		**36,453**	13,770
Intangible assets		**22,172**	17,654
Interests in associates		**15,257**	1,190
Interests in joint ventures		**6,254**	4,386
Available-for-sale investment		**–**	16,237
Deferred tax assets		**90**	163
		136,960	109,233
Current assets			
Trade receivables	*7*	**684,132**	496,150
Other receivables, deposits and prepayments		**138,252**	79,421
Held for trading investment		**1,017**	995
Amount due from immediate holding company		**1,245**	–
Amounts due from joint ventures		**5,674**	14,602
Amounts due from associates		**11,584**	10,523
Amounts due from related companies		**–**	6
Loan to a joint venture		**–**	3,414
Loan to an associate		**500**	500
Prepaid tax		**1,310**	3,431
Pledged bank deposits		**8,472**	10,747
Bank balances and cash		**248,201**	211,207
		1,100,387	830,996

	NOTES	2017 HK$'000	2016 HK$'000
Current liabilities			
Trade and other payables	*8*	**473,900**	309,685
Amounts due to associates		**1,723**	270
Tax liabilities		**10,090**	5,491
Obligations under finance leases			
– due within one year		**357**	498
Bank borrowings		**179,770**	145,400
		665,840	461,344
Net current assets		**434,547**	369,652
Total assets less current liabilities		**571,507**	478,885
Non-current liabilities			
Trade and other payables – due after one year	*8*	**3,153**	3,021
Obligations under finance leases			
– due after one year		**291**	294
Deferred tax liabilities		**14,324**	12,930
		17,768	16,245
		553,739	462,640
Capital and reserves			
Share capital	*9*	**41,427**	41,280
Reserves		**485,571**	393,659
Net assets attributable to owners of the Company		**526,998**	434,939
Non-controlling interests		**26,741**	27,701
Total equity		**553,739**	462,640

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.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the annual report, the application of these amendments has had no impact on the Group's 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[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

2. SEGMENT INFORMATION

	Segment revenue		Segment results	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Operating and reportable segments				
Air freight	**2,561,622**	1,868,551	**231,656**	176,270
Ocean freight	**923,561**	835,134	**148,167**	128,741
Logistics	**89,351**	97,801	**(24)**	(3,756)
Others	**95,980**	65,853	**33,875**	25,007
Total	**3,670,514**	2,867,339	**413,674**	326,262
Other income			**9,962**	6,346
Other gains or losses			**20,944**	5,320
Unallocated corporate expenses			**(317,724)**	(315,235)
Share of profit of associates			**307**	353
Share of profit (loss) of joint ventures			**1,076**	(3,683)
Finance costs			**(4,729)**	(3,327)
Profit before taxation			**123,510**	16,036

3. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**4,091**	360
– Enterprise Income Tax in the PRC	**7,551**	3,814
– Dutch Corporate Income Tax	**4,485**	1,603
– Indian Corporate Income Tax	**106**	301
– Vietnam Corporate Income Tax	**1,179**	1,218
– Thailand Corporate Income Tax	**30**	267
– Malaysia Corporate Income Tax	**902**	915
– Canadian Corporate Income Tax	**777**	648
– Other jurisdictions	**1,997**	1,655
	21,118	10,781
Overprovision in respect of prior years		
– Hong Kong Profits Tax	**(770)**	(52)
– Enterprise Income Tax in the PRC	**(1)**	–
– Other jurisdictions	**(1,697)**	(894)
	(2,468)	(946)
Withholding tax on dividend received	**495**	555
Deferred taxation	**3,380**	(657)
	22,525	9,733

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during 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% during 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% during 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 during both financial years, in accordance with the Vietnamese laws.

The Corporate Income Tax in Thailand is calculated at 20% of assessable profit during 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

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**4,532**	4,972
Depreciation of property, plant and equipment	**11,279**	10,502
Amortisation of intangible assets	**3,930**	3,130
Impairment loss on trade receivables recognised	**10,976**	5,470
Reversal of impairment loss on trade receivables	**(1,944)**	(2,762)
Operating lease rentals in respect of rented premises and motor vehicles	**64,386**	64,256
Staff costs		
Directors' emoluments	**10,345**	9,116
Other staff costs		
Staff costs excluding retirement benefit contributions	**254,544**	258,700
Retirement benefit contributions	**25,270**	26,692
Total staff costs	**290,159**	294,508
Gross rental income from investment properties	**354**	348
Less: outgoings incurred which did not generate rental income	**(83)**	(77)
	271	271

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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**97,501**	4,967
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**413,836,333**	413,136,180
Effect of dilutive potential ordinary shares on share options	**898,630**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**414,734,963**	413,136,180

6. DIVIDEND

Pursuant to the resolution passed by the Directors at the Board meeting held on 23 October 2017, a special dividend of HK3.94 cents per ordinary share of the Company, absorbing a total amount of about HK$16,322,000, was paid on 3 November 2017 to all shareholders whose names appeared on the register of members of the Company on 27 October 2017.

The Board recommended the payment of a final dividend of HK2.3 cents per ordinary share, absorbing a total amount of about HK$9,528,000, in respect of the FY2017, which is subject to the approval of the shareholders of the Company at the annual general meeting of the Company (the "**2018 AGM**") to be held on Friday, 8 June 2018. The proposed final dividend is expected to be paid on Wednesday, 18 July 2018 to all shareholders whose names to be appeared on the register of members of the Company on Wednesday, 27 June 2018.

7. TRADE RECEIVABLES

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

The following is an ageing 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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**381,884**	288,100
31 – 60 days	**196,239**	140,663
61 – 90 days	**87,617**	45,206
91 – 180 days	**15,081**	10,811
Over 180 days	**3,311**	11,370
	684,132	496,150

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 2017, such trade receivable was fully recovered.

8. TRADE AND OTHER PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 60 days	**337,776**	227,283
61 – 180 days	**16,573**	8,975
181 – 365 days	**2,172**	1,274
1 – 2 years	**3,904**	3,779
	360,425	241,311
Trade and other payables analysed as:		
– current	**473,900**	309,685
– non-current	**3,153**	3,021
	477,053	312,706

9. SHARE CAPITAL

	Number of ordinary shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2016	414,566,000	41,457
Repurchase and cancellation of ordinary shares	(1,762,000)	(177)
At 31 December 2016	412,804,000	41,280
Exercise of share options	1,466,000	147
At 31 December 2017	414,270,000	41,427

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 FY2017. During the FY2017, the demand for logistics and freight forwarding services increased steadily due to the recovery of global economy which was in line with the improvement of export business in the PRC and global market demand, especially in the United States of America (the "**USA**"). While benefiting from the rapid growth of global cross-border e-commerce, the Group followed the strategy of the Board and seized the opportunity of the boom of international express delivery and parcel market, and focused on the development of cross-border small parcel business, resulting in the significant increase in the amount of cross-border small parcel for the FY2017. This has enhanced the positive financial results for the FY2017.

Financial Results

The Group recorded revenue of about HK$3,670.5 million during the FY2017 (FY2016: about HK$2,867.3 million), representing an increase of about 28.0%. Gross profit amounted to about HK$571.8 million during the FY2017 (FY2016: about HK$492.0 million), representing an increase of about 16.2%. Gross profit margin during the FY2017 was about 15.6% (FY2016: about 17.2%). Net profit was about HK$101.0 million during the FY2017 (FY2016: about HK$6.3 million), representing an increase of about 1,502.1% while the net profit attributable to owners of the Company increased by about 1,863.0% to about HK$97.5 million during the FY2017 (FY2016: about HK$5.0 million). The increase in profit was mainly due to the overall increase in demand in the USA, recovery of the European market and increase in demand for cross-border small parcel delivery services. Further, due to (i) the increasing demand for the air freight services, part of the buying costs increased resulting in adjustment of the selling rate. Revenue from the air freight services business has therefore increased accordingly; (ii) the decrease in salaries and wages since severance package was paid to the station managers who left the Group during the FY2016; and (iii) the disposal of e-commerce business which had not contributed profit to the Group, the Group recorded a very substantial increase in the revenue and net profit for the FY2017.

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 other businesses, which comprise combine shipments, trucking, general sales agency, hand-carry services. The comprehensive range of services offered by the Group enables the Group to meet diverse customers' needs and provide cross-selling opportunities.

Air Freight

The cross-border small parcel delivery business is part of the air freight business. Followed by the increasing worldwide demand for online shopping of Chinese products, the demand for air freight services of cross-border small parcel delivery increased. The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 69.8% of the Group's total revenue during the FY2017 (FY2016: about 65.2%). 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-commence business and among others.

During the FY2017, the air freight business recorded revenue of about HK$2,561.6 million (FY2016: about HK$1,868.6 million), representing an increase of about 37.1%. Gross profit of the segment also increased from about HK$242.7 million in the FY2016 to about HK$299.1 million during the FY2017, representing an increase of about 23.3%. In respect of air import and export tonnage, the Group noted a total increase of tonnage of about 1.7% for the FY2017 when compared to the FY2016. During the FY2017, the Group acquired 3 offices due to the acquisition of Best Loader Logistics Company Limited ("**Best Loader HK**") and 翼尊國際貨運代理(上海)有限公司 ("**Best Loader Shanghai**"), disposed 3 offices due to the disposal of OTWL-On Time Worldwide Logistics Ltd. ("**OT Taiwan**"), On Time Worldwide Logistics Ltd. ("**OT Korea**") and Holicbuy Company Limited, closed down 2 offices which had been in deficit, and opened 4 offices in Hong Kong, Zhengzhou, Shenzhen and Hungary. As such, 53 offices around the world remained as at 31 December 2017, out of which 43 offices are located in 11 Asian countries and territories, comprising Hong Kong, the PRC, Cambodia, India, Indonesia, Japan, Malaysia, Singapore, Thailand, the United Arab Emirates and Vietnam, two offices in Europe and five offices in America.

Currently, revenue from international express delivery and parcel (mainly cross-border small parcel) business is still being consolidated into air freight business segment. Benefiting from the rapid growth of global cross-border e-commerce and the continuously deepening cooperation with Zhejiang Cainiao Supply Chain Management Co. Limited, the Group further enhanced its cross-border small parcel business volume. Revenue from cross-border small parcel business increased from approximately HK$29.9 million during the FY2016 to approximately HK$93.0 million during the FY2017, representing a growth rate of approximately 211.0%.

Ocean Freight

Contributing about 25.2% of the Group's total revenue during the FY2017 (FY2016: about 29.1%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage service. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the FY2017, revenue of ocean freight segment increased by about 10.6% year-on-year to about HK$923.6 million (FY2016: about HK$835.1 million). Due to better cost control, gross profit increased to about HK$192.3 million during the FY2017 (FY2016: about HK$175.1 million), representing a slight increase of about 9.8%. Owing to the market conditions, the Group has successfully transferred related costs to its customers so as to reduce the cost burden and improve this segment's performance. During the FY2017, the ocean freight shipping volume handled by the Group reached 116,720 twenty-foot equivalent unit (FY2016: 115,783 twenty-foot equivalent unit), representing an increase of about 0.8%.

Ancillary and Contract Logistics Services

Accounting for about 2.4% of the Group's total revenue during the FY2017 (FY2016: about 3.4%), 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 FY2017, 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$89.4 million during the FY2017 (FY2016: about HK$97.8 million), representing a decrease of about 8.6% and the gross profit was about HK$46.4 million during the FY2017 (FY2016: about HK$48.2 million), representing a decrease of about 3.7%.

Others

The other businesses include combined shipments, trucking, general sales agency, 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 FY2017, the other businesses recorded revenue of about HK$96.0 million (FY2016: about HK$65.9 million), representing an increase of about 45.7%, and gross profit of about HK$46.4 million (FY2016: about HK$26.0 million), representing an increase of about 30.1%. The increase of gross profit for other businesses during the FY2017 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 2017 was about HK$434.5 million, representing an increase of about 17.6% from about HK$369.7 million as at 31 December 2016. The current ratio of the Group decreased from about 1.80 times as at 31 December 2016 to about 1.65 times as at 31 December 2017.

As at 31 December 2017, the Group's bank balances and cash amounted to about HK$248.2 million, representing an increase of about 17.5% from about HK$211.2 million as at 31 December 2016. For the FY2017, the Group had operating cash inflow of about HK$32.0 million (FY2016: operating cash outflow of about HK$24.1 million). As at 31 December 2017, the Group's outstanding bank borrowings amounted to about HK$179.8 million (as at 31 December 2016: about HK$145.4 million). The gearing ratio of the Group was about 32.5% as at 31 December 2017 (as at 31 December 2016: 31.4%). The gearing ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2017, the Group maintained a net cash position (as at 31 December 2016: 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$, RM, SGD, THB, INR, EUR, GBP, CAD, JPY, VND, IDR, HUF and AED among which, RMB, EUR and US$ 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 the FY2017. 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 FY2017.

Capital Expenditure Commitments

As at 31 December 2017, the Group has below capital expenditure commitments (as at 31 December 2016: nil):

1. The contingent consideration of HK$7,200,000 to be determined based on the future financial performance of Best Loader Shanghai; and

2. The contingent consideration of HK$800,000 to be determined based on the future financial performance of Best Loader HK.

Please refer to the announcement of the Company dated 5 May 2017 for further details.

Charge on Assets

As at 31 December 2017, 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:

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**120,713**	119,615
Held for trading investments	**1,017**	995
Pledged bank deposits	**8,427**	10,747
	130,157	131,357

EVENTS AFTER THE REPORTING PERIOD

On 9 March 2018, Jumbo Channel Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**SPA**") with T.Y.D. Holding B.V., pursuant to which T.Y.D. Holding B.V. has conditionally agreed to sell, and Jumbo Channel Limited has conditionally agreed to purchase, 21,575 ordinary shares of €1 each (the "**Target Shares**") in OTX Logistics B.V. ("**OTX Holland**"), at the consideration of HK$38,000,000, subject to and in accordance with the terms and conditions of the SPA.

As at the date of this announcement, OTX Holland is an indirect non wholly-owned subsidiary of the Company, held as to 75% by Jumbo Channel Limited and 25% by T.Y.D. Holding B.V. Immediately after completion of the sale and purchase of the Target Shares in accordance with the terms and conditions of the SPA, OTX Holland will become an indirect wholly-owned subsidiary of the Company.

Please refer to the announcement of the Company dated 9 March 2018 for further details.

CHANGE OF COMPANY NAME

As announced by the Company on 14 February 2018, the special resolution approving the change of English name of the Company from "On Time Logistics Holdings Limited" to "YTO Express (International) Holdings Limited" and the dual foreign name of the Company in Chinese "圓通速遞(國際)控股有限公司" be adopted to replace its existing dual foreign name in Chinese "先達國際物流控股有限公司" (the "**Special Resolution**") was passed by the Company's shareholders at the extraordinary general meeting of the Company held on 14 February 2018.

Subsequent to the passing of the Special Resolution, the Certificate of Incorporation on Change of Name was issued by the Registry of Companies in the Cayman Islands on 28 February 2018 regarding the change of English name of the Company from "On Time Logistics Holdings Limited" to "YTO Express (International) Holdings Limited" and the dual foreign name of the Company in Chinese from "先達國際物流控股有限公司" to "圓通速遞(國際)控股有限公司".

Please refer to the announcement of the Company dated 21 March 2018 for further details.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the FY2017, the Group has below material acquisitions of subsidiaries:

1. The Group acquired 100% interest of Best Loader HK, a company incorporated in Hong Kong at a consideration of HK$3,000,000. The principal activity of Best Loader HK is provision of freight forwarding service; and

2. The Group acquired 100% interest of Best Loader Shanghai, a company incorporated in the PRC at a consideration of HK$27,000,000. The principal activity of Best Loader Shanghai is provision of freight forwarding service.

During the FY2017, the Group had conducted the below material disposal of subsidiaries:

1. The Group disposed the entire interest in OT Taiwan, a company incorporated in Taiwan at a consideration of HK$15,477,072; and

2. The Group disposed 3% interest in OT Korea, a company incorporated in South Korea at a consideration of HK$841,728.

Please refer to the announcements of the Company dated 5 May 2017, 20 October 2017 and 1 November 2017 for further details.

Save as disclosed, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company during the FY2017 (FY2016: nil).

PROSPECTS

During the FY2017, the economic rebound in European and American markets led to an increase in exports in the PRC. Global demand for logistics and freight forwarding services, warehouse and logistics business and e-commerce business delivery services keep rising. There are also improvements in the USA and Europe's business environment. All these factors are beneficial to the Group's medium to long term growth. Moreover, after the acquisition of 64.75% of the shares of the Company (the "**Shares**") by YTO Global Holdings Limited, a company incorporated in Hong Kong, which is a wholly-owned subsidiary of YTO Express Group Co., Ltd. ("**YTO Express**"), a joint stock limited liability company incorporated in the PRC (Shanghai Stock Exchange, Stock Code: 600233), the Company became a subsidiary of YTO Express. YTO Express possesses enormous e-commerce and corporate customer base within the PRC, an express logistics network with nationwide coverage and its own aviation fleet, which will provide concrete support for the Group's future business development. Given the rapid development of global cross-border e-commerce and the economic rebound of the European and US market, the world's demand for freight service, warehousing and logistics services, particularly international express delivery and parcel services which offer great value for money, has been rising. All these factors act as an important drive for the Group's medium to long term growth.

Strategic Transformation and Comprehensive Development of International Express Delivery and Parcel Business

Adhering to the strategic vision of YTO Express, the Group will act as an international business platform for YTO Express with a development strategy of "going global with the "Belt and Road" initiative, going global with Chinese and Chinese enterprises, and going global with cross-border e-commerce industry" as its principle. The Group focuses on developing its international express delivery and parcel business by leveraging on the advantage of its international express delivery talent team, air freight, overseas subsidiaries network and customer resources accumulated for over 20 years. The Group will seek cooperation opportunity with major national post offices around the world and local express delivery companies, and gradually establish an international express delivery network by various ways such as acquisition and merger, agency, franchise, self-construction, etc., in order to develop international express delivery and parcel business.

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 product and seeking 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 including cross-border e-commerce, which will be supported by improved customer supply chain management and implementation of a comprehensive warehouse management system.

Explore E-commerce Opportunities and Bolster IT Capability

As one of the important focus areas of the Group going forward, the Group will continue to explore opportunities for the delivery of e-commerce products in different countries other than the PRC. The Company will seek for opportunities for cooperation with post offices located in countries, such as Eastern Europe and the USA, with growing consumer markets which make purchases through the PRC e-commerce platform to tap into new markets and gain new transport business which may increase the reliance of the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure.

It is expected that the Group will implement the above plans by the internal resources of the Group and/or external financing.

HUMAN RESOURCES

As at 31 December 2017, the Group employed about 1,060 employees (as at 31 December 2016: about 1,100 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. Training activities have also been conducted to improve the performance of sales and marketing activities and customer services.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the FY2017.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK2.3 cents (2016: nil) per Share, absorbing a total amount of about HK$9,528,000 (2016: nil), in respect of the FY2017, which is subject to the approval of the Company's shareholders at the 2018 AGM to be held on Friday, 8 June 2018. The proposed final dividend is expected to be paid on Wednesday, 18 July 2018 to all shareholders whose names to be appeared on the register of members of the Company on Wednesday, 27 June 2018.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the facility letter entered into by the Company on 6 October 2017 (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**"), to remain as the executive Director. 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 Tuesday, 5 June 2018 to Friday, 8 June 2018 (both days inclusive) for the purpose of determining the right to attend and vote at the 2018 AGM. In order to be qualified for attending and voting at the 2018 AGM, unregistered holders of Shares 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 Monday, 4 June 2018.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2018 AGM, the register of members of the Company will also be closed from Monday, 25 June 2018 to Wednesday, 27 June 2018 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the FY2017. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders at the 2018 AGM), unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 22 June 2018.

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 FY2017 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 FY2017, except for code provision A.2.1.

Mr. Yu Huijiao (a non-executive Director) has been appointed as the chairman of the Board, in place of Mr. Lam (an executive Director and the chief executive officer of the Company) with effect from 1 December 2017. After the said change, the Company has complied with code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, Mr. Lam remains as the chief executive officer of the Company to focus on the Company's business development and daily management and operations generally, while Mr. Yu Huijiao providing leadership and being responsible for the effective functioning and leadership of the Board.

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 FY2017.

AUDIT COMMITTEE

The Company has established an audit committee which comprises one non-executive Director, namely, Mr. Lin Kai, and two independent non-executive Directors, namely, Mr. Chung Kwok Mo John and Mr. Li Donghui. Mr. Chung Kwok Mo John 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 FY2017, 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 websites of the Stock Exchange and the Company. The annual report for the FY2017 will be despatched to the shareholders of the Company and will be published on the 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
YTO Express (International) Holdings Limited
圓通速遞(國際)控股有限公司
Yu Huijiao
Chairman

Hong Kong, 22 March 2018

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Lam Chun Chin, Spencer and Mr. Li Xianjun; four non-executive Directors, namely, Mr. Yu Huijiao, Mr. Su Xiufeng, Mr. Zhu Rui and Mr. Lin Kai; and three independent non-executive Directors, namely, Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John.