

*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.*



## **YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED**

**圓通速遞(國際)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 2018**

#### **FINANCIAL HIGHLIGHTS**

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

- **the Group's revenue amounted to about HK\$1,948 million, representing an increase of about 24.8% as compared to that of the corresponding period of 2017 (1H2017: about HK\$1,561 million);**
- **the Group recorded a profit attributable to owners of the Company of about HK\$38.0 million (1H2017: HK\$19.6 million); and**
- **air freight business recorded an increase of about 25.9% in segment results as compared to that of the corresponding period of 2017, to about HK\$107 million (1H2017: about HK\$85 million).**

The board (the “**Board**”) of directors (the “**Directors**”) of YTO Express (International) 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 2018 (the “**Reporting Period**”). The relevant financial figures for the six months ended 30 June 2017 (the “**1H2017**”) 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 (the “**HKICPA**”).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		(Unaudited)	
		Six months ended 30 June	
		2018	2017
	NOTES	HK\$'000	HK\$'000
Revenue	2	1,948,454	1,560,775
Cost of sales		<u>(1,675,508)</u>	<u>(1,308,577)</u>
Gross profit		272,946	252,198
Other income		8,990	4,481
Administrative expenses		(239,066)	(225,882)
Net reversal of impairment loss/impairment loss, net of reversal		3,976	(2,440)
Other gains or losses		2,672	2,982
Share of profit of associates		1,236	111
Share of profit of joint ventures		180	373
Finance costs		<u>(3,415)</u>	<u>(2,267)</u>
Profit before taxation		47,519	29,556
Income tax expenses	3	<u>(8,312)</u>	<u>(8,864)</u>
<b>Profit for the period</b>	4	<u>39,207</u>	<u>20,692</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		38,024	19,609
Non-controlling interests		<u>1,183</u>	<u>1,083</u>
		<u>39,207</u>	<u>20,692</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	5		
Basic		<u>9.18</u>	<u>4.74</u>
Diluted		<u>N/A</u>	<u>4.73</u>

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

*For the six months ended 30 June 2018*

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	39,207	20,692
<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	102	783
Deferred tax arising on revaluation of leasehold land and buildings	(28)	(147)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Share of other comprehensive (expense) income of associates	(205)	14
Share of other comprehensive (expense) income of joint ventures	(172)	434
Exchange difference arising from foreign operations	(10,819)	4,162
<b>Other comprehensive (expense) income for the period</b>	(11,122)	5,246
<b>Total comprehensive income for the period</b>	28,085	25,938
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	26,222	22,597
Non-controlling interests	1,863	3,341
	28,085	25,938

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		(Unaudited) 30 June 2018	(Audited) 31 December 2017
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		6,994	7,531
Property, plant and equipment		45,178	49,203
Goodwill		35,937	36,453
Intangible assets		19,119	22,172
Interests in associates		16,288	15,257
Interests in joint ventures		6,261	6,254
Available-for-sale investment		–	–
Equity instrument at fair value through other comprehensive income		–	–
Deferred tax assets		89	90
		129,866	136,960
<b>Current assets</b>			
Trade receivables	7	684,672	684,132
Other receivables, deposits and prepayments		122,022	138,252
Held for trading investment		–	1,017
Financial asset at fair value through profit or loss		964	–
Loan receivable		7,479	–
Amount due from an intermediate holding company		20	–
Amount due from immediate holding company		1,245	1,245
Amounts due from joint ventures		6,883	5,674
Amounts due from associates		13,896	11,584
Amounts due from fellow subsidiaries		912	–
Loan to an associate		500	500
Prepaid tax		2,462	1,310
Pledged bank deposits		6,672	8,472
Bank balances and cash		240,170	248,201
		1,087,897	1,100,387

		<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2018</b>	<b>2017</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	8	436,216	473,900
Contract liability		34,456	–
Dividend payable		9,530	–
Amounts due to associates		2,872	1,723
Amount due to a fellow subsidiary		1	–
Tax liabilities		8,036	10,090
Obligations under finance leases			
– due within one year		330	357
Bank borrowings		182,805	179,770
		<u>674,246</u>	<u>665,840</u>
<b>Net current assets</b>		<u>413,651</u>	<u>434,547</u>
<b>Total assets less current liabilities</b>		<u>543,517</u>	<u>571,507</u>
<b>Non-current liabilities</b>			
Trade and other payables			
– due after one year	8	5,067	3,153
Obligations under finance leases			
– due after one year		127	291
Deferred tax liabilities		11,275	14,324
		<u>16,469</u>	<u>17,768</u>
		<u>527,048</u>	<u>553,739</u>
<b>Capital and reserves</b>			
Share capital	9	41,427	41,427
Reserves		479,819	485,571
		<u>521,246</u>	<u>526,998</u>
Net assets attributable to owners of the Company		521,246	526,998
Non-controlling interests		5,802	26,741
		<u>527,048</u>	<u>553,739</u>
<b>Total equity</b>		<u>527,048</u>	<u>553,739</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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 (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the HKICPA.

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 or revalued amounts, as appropriate.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

## 2. SEGMENT INFORMATION

### Segment revenue and results

	(Unaudited)		(Unaudited)	
	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating and reportable segments				
Air freight	1,458,779	1,061,681	107,385	85,003
Ocean freight	393,024	411,451	62,033	68,275
Logistics	42,157	44,901	3,228	(471)
Others	<u>54,494</u>	<u>42,742</u>	<u>13,038</u>	<u>17,026</u>
<b>Total</b>	<b><u>1,948,454</u></b>	<b><u>1,560,775</u></b>	185,684	169,833
Other income			8,990	4,481
Other gains or losses			2,672	2,982
Unallocated corporate expenses			(147,828)	(145,957)
Share of profit of associates			1,236	111
Share of profit of joint ventures			180	373
Finance costs			<u>(3,415)</u>	<u>(2,267)</u>
<b>Profit before taxation</b>			<b><u>47,519</u></b>	<b><u>29,556</u></b>

Reportable segment results represents the profit earned by each segment without allocation of other income, other gains or losses, share of profit of associates, share of profit of joint ventures, unallocated corporate expenses (including depreciation and amortisation) and finance costs.

### 3. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	1,902	2,555
– Enterprise Income Tax in the People’s Republic of China (the “ <b>PRC</b> ”)	2,019	2,308
– Dutch Corporate Income Tax	1,399	1,382
– Vietnam Corporate Income Tax	743	542
– Malaysia Corporate Income Tax	650	134
– Canadian Corporate Income Tax	493	376
– Other jurisdictions	1,005	672
	<u>8,211</u>	<u>7,969</u>
(Over) under provision in respect of prior years		
– Hong Kong Profits Tax	(20)	–
– Enterprise Income Tax in the PRC	–	147
– Other jurisdictions	82	(68)
	<u>62</u>	<u>79</u>
Withholding tax on dividend declared	3,030	488
Deferred taxation	<u>(2,991)</u>	<u>328</u>
	<u>8,312</u>	<u>8,864</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the period.

Under the Law of 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 25.0% 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.

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



### 3. INCOME TAX EXPENSES (CONTINUED)

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 PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	<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	5,996	5,658
Amortisation of intangible assets	2,759	1,541
Net reversal of impairment loss/impairment loss, net of reversal	(3,976)	2,440
Net exchange gain	<u>(4,026)</u>	<u>(3,034)</u>

### 5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>38,024</u>	<u>19,609</u>

**5. EARNINGS PER SHARE (CONTINUED)**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	414,270	413,403
Effect of dilutive potential ordinary shares on share options	<u>N/A</u>	<u>1,095</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>414,270</u>	<u>414,498</u>

There is no diluted earnings per share for the Reporting Period as there is no potential ordinary shares in issue for the Reporting Period.

**6. DIVIDEND**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend payable in respect of the year ended 31 December 2017 of HK2.3 cents (31 December 2016: nil) per share	<u>9,528</u>	<u>–</u>

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2018 (30 June 2017: nil).

## 7. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables, net of allowance for bad and doubtful debts, based on invoice date, which are approximately the respective revenue recognition dates, at each of the Reporting Period:

	(Unaudited) 30 June 2018 <i>HK\$'000</i>	(Audited) 31 December 2017 <i>HK\$'000</i>
0 – 30 days	323,138	381,884
31 – 60 days	170,010	196,239
61 – 90 days	109,594	87,617
91 – 180 days	71,983	15,081
Over 180 days	9,947	3,311
	<u>684,672</u>	<u>684,132</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) 30 June 2018 <i>HK\$'000</i>	(Audited) 31 December 2017 <i>HK\$'000</i>
Within 60 days	295,505	337,776
61 – 180 days	32,861	16,573
181 – 365 days	3,314	2,172
1 – 2 years	4,205	3,904
	<u>335,885</u>	<u>360,425</u>
Trade and other payables analysed as:		
– Current	436,216	473,900
– Non-current	5,067	3,153
	<u>441,283</u>	<u>477,053</u>

## 9. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2017	412,804,000	41,280
Exercise of share options	<u>1,466,000</u>	<u>147</u>
At 30 June 2017, 1 January 2018 and 30 June 2018	<u>414,270,000</u>	<u>41,427</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, there was growth in the air freight business and such growth was due to the increase in demand for air freight services and new customers on board. This has enhanced the positive financial results during the Reporting Period.

### FINANCIAL RESULTS

The Group's major revenue during the Reporting Period was contributed by the air freight and ocean freight businesses. During the Reporting Period, the Group recorded revenue of about HK\$1,948.5 million (1H2017: about HK\$1,560.8 million), representing a period-on-period rise of about 24.8%. Gross profit amounted to about HK\$272.9 million (1H2017: about HK\$252.2 million), representing a period-on-period increase of about 8.2%. However, due to keen competition in the market, the gross profit margin decreased to about 14.0% (1H2017: about 16.2%), while the net profit attributable to owners of the Company increased significantly to about HK\$38.0 million, representing a period-on-period rise of about 93.9% (1H2017: HK\$19.6 million). The increase in profit attributable to the owners of the Company was mainly due to (a) the contribution of air freight business revenue and profits to the Group from 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**") which were acquired by the Group in mid of 2017; (b) the discontinuation of contract logistics business in the United States (the "**USA**") during the fourth quarter of 2017 which has not contributed profit to the Group; (c) the increase in demand for air freight services brought by customers in the air freight segment; (d) the decrease in provision of doubtful debts and bad debts and increase in reversal of provisions of doubtful debts in respect of outstanding trade receivables which amounted to about HK\$2.1 million and about HK\$4.4 million respectively; and (e) the decrease in provision of legal and professional fees during the Reporting Period after the mandatory general offer completed on 1 December 2017.

## SEGMENTAL ANALYSIS

The Group's core businesses are air freight 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 and 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 74.9% of the Group's total revenue during the Reporting Period (1H2017: about 68.0%). 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 has received numerous accolades from international organizations 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 and delivery of small parcels for e-commerce business. During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$1,458.8 million (1H2017: about HK\$1,061.7 million), representing a significant increase of about 37.4% as compared to the corresponding period of 2017. Gross profit of the segment also increased from about HK\$119.7 million in the corresponding period of 2017 to about HK\$151.5 million during the Reporting Period, representing an increase of about 26.6% period-on-period. In respect of air import and export tonnage, the Group noted a period-on-period increase of about 17.5%.

## **Ocean Freight**

The ocean freight segment contributed about 20.2% of the Group's total revenue during the Reporting Period (1H2017: about 26.4%), the percentage of which decreased due to the increase in revenue of air freight segment. The ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage services. 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, due to closure of two offices in the USA in 2017, revenue of ocean freight segment decreased by about 4.5% period-on-period to about HK\$393.0 million (1H2017: about HK\$411.5 million). Gross profit decreased to about HK\$84.8 million (1H2017: about HK\$91.8 million).

## **Ancillary and Contract Logistics Services**

Accounting for about 2.2% (1H2017: about 2.9%) 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 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 ("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\$42.2 million (1H2017: about HK\$44.9 million) and gross profit of about HK\$23.6 million (1H2017: about HK\$23.1 million).

## **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 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\$54.5 million (1H2017: about HK\$42.7 million) and gross profit of about HK\$13.0 million (1H2017: about HK\$17.5 million). The gross profit margin of other businesses decreased from 41.0% in 1H2017 to 23.9% during the Reporting Period.

## **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 2018 was about HK\$413.7 million, representing a decrease of about 4.8% from about HK\$434.5 million as at 31 December 2017. The current ratio of the Group slightly decreased from about 1.65 times as at 31 December 2017 to about 1.61 times as at 30 June 2018.

As at 30 June 2018, the Group's bank balances and cash amounted to about HK\$240.2 million, representing a decrease of about 3.2% from about HK\$248.2 million as at 31 December 2017. For the Reporting Period, the Group had operating cash inflow of about HK\$57.1 million (1H2017: operating cash inflow of about HK\$79.2 million). As at 30 June 2018, the Group's outstanding bank borrowings amounted to about HK\$182.8 million (as at 31 December 2017: about HK\$179.8 million). The gearing ratio of the Group was about 34.7% as at 30 June 2018 (as at 31 December 2017: about 32.5%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2018 and as at 31 December 2017, the Group maintained a net cash position.

## **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 2017. 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 Reporting Period.



## CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2018, the Group has below capital expenditure commitments (as at 31 December 2017: HK\$8 million):

- (i) The contingent consideration of HK\$4,500,000 to be determined based on the future financial performance of Best Loader Shanghai; and
- (ii) The contingent consideration of HK\$500,000 to be determined based on the future financial performance of Best Loader HK.

## CONTINGENT LIABILITIES

As at 30 June 2018, save as disclosed in the above capital expenditure commitments, the Group did not have any other significant contingent liabilities.

## PERFORMANCE GUARANTEES

### A) In Relation to the Acquisition of the Entire Issued Shares of Best Loader HK

On Time Worldwide Logistics Limited (“**On Time BVI**”), a direct wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 5 May 2017 (the “**First Sale and Purchase Agreement**”) with Air Partner Logistics Company Limited, as vendor (the “**First Vendor**”) and Ms. Chan Yi Lam, as guarantor for the First Vendor (the “**Guarantor**”), in relation to the acquisition of the entire issued shares of Best Loader HK. Pursuant to the First Sale and Purchase Agreement, the First Vendor undertakes and guarantees to On Time BVI that (i) the net assets value of Best Loader HK for the year ended 31 December 2017 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2017 Accounts**”), will be no less than HK\$3.0 million (the “**2017 NAV Guarantee**”); (ii) the net assets value of Best Loader HK for the year ending 31 December 2018 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2018 Accounts**”), will be no less than HK\$4.7 million (the “**2018 NAV Guarantee**”); and (iii) the net assets value of Best Loader HK for the year ending 31 December 2019 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2019 Accounts**”), will be no less than HK\$7.1 million (the “**2019 NAV Guarantee**”).

After the determination of the 2017 Accounts, the 2018 Accounts and the 2019 Accounts, respectively, On Time BVI shall pay to the First Vendor the remaining balance of the purchase price in the following manner: (i) HK\$300,000 to the First Vendor if the 2017 NAV Guarantee is fulfilled; (ii) HK\$250,000 to the First Vendor if the 2018 NAV Guarantee is fulfilled; and (iii) HK\$250,000 to the First Vendor if the 2019 NAV Guarantee is fulfilled.

Based on the 2017 Accounts, the net assets value of Best Loader HK for the financial year ended 31 December 2017 was approximately HK\$6.1 million. Therefore, the 2017 NAV Guarantee had been fulfilled. The Company will publish announcements to inform the shareholders of the Company whether Best Loader HK has achieved the 2018 NAV Guarantee and the 2019 NAV Guarantee after the determination of the 2018 Accounts and the 2019 Accounts.

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

#### **B) In Relation to the Acquisition of the Entire Issued Shares of Best Loader Shanghai**

On Line Service Limited (“**On Line HK**”), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 5 May 2017 (the “**Second Sale and Purchase Agreement**”) with the First Vendor and the Guarantor, in relation to the acquisition of the entire issued shares of Best Loader Shanghai. Pursuant to the Second Sale and Purchase Agreement, the First Vendor undertakes and guarantees to On Line HK that (i) the net assets value of Best Loader Shanghai for the year ended 31 December 2017 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2017 SH Accounts**”), will be no less than HK\$3.5 million (the “**2017 SH NAV Guarantee**”); (ii) the net assets value of Best Loader Shanghai for the year ending 31 December 2018 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2018 SH Accounts**”), will be no less than HK\$5.3 million (the “**2018 SH NAV Guarantee**”); and (iii) the net assets value of Best Loader Shanghai for the year ending 31 December 2019 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2019 SH Accounts**”), will be no less than HK\$7.9 million (the “**2019 SH NAV Guarantee**”).

After the determination of the 2017 SH Accounts, the 2018 SH Accounts and the 2019 SH Accounts, respectively, On Line HK shall pay to the First Vendor the remaining balance of the purchase price in the following manner: (i) HK\$2.7 million to the First Vendor if the 2017 SH NAV Guarantee is fulfilled; (ii) HK\$2,250,000 to the First Vendor if the 2018 SH NAV Guarantee is fulfilled; and (iii) HK\$2,250,000 to the First Vendor if the 2019 SH NAV Guarantee is fulfilled.

Based on the 2017 SH Accounts, the net assets value of Best Loader Shanghai for the financial year ended 31 December 2017 was about RMB6.0 million (equivalent to about HK\$7.1 million). Therefore, the 2017 SH NAV Guarantee had been fulfilled. The Company will publish announcements to inform the shareholders of the Company whether Best Loader Shanghai has achieved the 2018 SH NAV Guarantee and the 2019 SH NAV Guarantee after the determination of the 2018 SH Accounts and the 2019 SH Accounts.

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

**C) In Relation to the Acquisition of the Remaining 25% Equity Interest in the Issued Share Capital of OTX Logistics Holland**

Jumbo Channel Limited (“**Jumbo Channel**”), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 9 March 2018 (the “**Third Sale and Purchase Agreement**”) with, among others, T.Y.D. Holding B.V. (the “**Second Vendor**”), in relation to the acquisition of the remaining 25% equity interest in the issued share capital of OTX Logistics B.V. (“**OTX Logistics Holland**”). Pursuant to the Third Sale and Purchase Agreement, the Second Vendor undertakes to Jumbo Channel that: (i) in the event that the sum of the audited consolidated net profits after tax of OTX Logistics Holland as stated in the audited accounts of the Company for each of the financial years ending 31 December 2017, 2018 and 2019, respectively, adjusted by any revaluation surplus or deficit of tangible or intangible assets (the “**Accumulated Consolidated Net Profit**”), shall be less than HK\$18.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK\$3,330,000 after completion of the audited accounts of OTX Logistics Holland for the financial year ending 31 December 2019 (the “**2019 Holland Accounts**”); (ii) in the event that the Accumulated Consolidated Net Profit shall be less than HK\$12.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK\$6,660,000 after completion of the 2019 Holland Accounts; and (iii) in the event that the Accumulated Consolidated Net Profit shall be less than HK\$6.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK\$10.0 million after completion of the 2019 Holland Accounts.

The Company will publish announcements to inform the shareholders of the Company whether OTX Logistics Holland has achieved the above performance guarantee after the completion of the 2019 Holland Accounts.

Please refer to the announcement of the Company dated 9 March 2018 and the circular of the Company dated 3 April 2018 for further details in respect of the acquisition.

## **CHARGE ON ASSETS**

As at 30 June 2018, certain of the Group's trade receivables with an aggregate carrying amount of about HK\$136.1 million (as at 31 December 2017: about HK\$120.7 million), financial asset at fair value through profit or loss of about HK\$1.0 million (as at 31 December 2017: held for trading investment of about HK\$1.0 million), loan receivable of about HK\$7.5 million (as at 31 December 2017: nil) together with short-term bank deposits of about HK\$6.7 million (as at 31 December 2017: about HK\$8.5 million) were pledged to secure certain banking facilities granted to the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no events causing material impact on the Group from the end of the Reporting Period to the date of this announcement.

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

During the Reporting Period, the Group has acquired the remaining 25% equity interest in the issued share capital of OTX Logistics Holland, an indirect non-wholly owned subsidiary of the Company before completion of the acquisition, at a consideration of HK\$38,000,000. Immediately after the acquisition, OTX Logistics Holland became an indirect wholly-owned subsidiary of the Company.

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

## **PROSPECTS**

During the Reporting Period, the economic growth in European markets led to an increase in imports in European countries. Global demand for logistics and freight forwarding services, warehouse and logistics business and e-commerce business delivery services keep rising. There are also improvement in the USA and Europe's business environment. All these factors are beneficial to the Group's medium to long term growth. Moreover, the acquisition of the shares of the Company by YTO Global Holdings Limited and the acquisition of other freight forwarding companies will strengthen the Group's capacity and its global networking.

## **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, 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 30 June 2018, the Group employed about 1,089 employees (as at 30 June 2017: about 1,097 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.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had 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.

## **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 throughout the Reporting Period.

## **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 throughout the Reporting Period.

## 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 reviewed and discussed with the management of the Group on the unaudited consolidated financial statements of the Group 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** and the Company's website at **www.ytoglob.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  
**YTO Express (International) Holdings Limited**  
圓通速遞(國際)控股有限公司  
**Yu Huijiao**  
Chairman

Hong Kong, 17 August 2018

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Li Xianjun and Mr. Lam Chun Chin, Spencer; 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.*