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## **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 2019**

#### **FINANCIAL HIGHLIGHTS**

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

- **the Group's revenue amounted to about HK\$1,800.1 million, representing a decrease of about 7.6% as compared to that of the corresponding period of 2018 (1H2018: about HK\$1,948.5 million);**
- **the Group recorded a profit attributable to owners of the Company of about HK\$5.1 million (1H2018: HK\$38.0 million);**
- **air freight business recorded a decrease of about 26.9% in segment results as compared to that of the corresponding period of 2018, to about HK\$79.4 million (1H2018: about HK\$108.5 million); and**
- **international express and parcel services business recorded a significant increase of segment results as compared to that of the corresponding period of 2018, to about HK\$19.0 million (1H 2018: loss about HK\$1.1 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 2019 (the “**Reporting Period**”). The relevant financial figures for the six months ended 30 June 2018 (the “**1H2018**”) 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 2019

		(Unaudited)	
		Six months ended 30 June	
		2019	2018
	NOTES	HK\$'000	HK\$'000
Revenue	2	1,800,082	1,948,454
Cost of sales		<u>(1,543,912)</u>	<u>(1,675,508)</u>
Gross profit		256,170	272,946
Other income		6,048	8,990
Administrative expenses		(250,057)	(239,066)
Net reversal of impairment loss		834	3,976
Other gains or losses		(795)	2,672
Share of results of associates		352	1,236
Share of results of joint ventures		155	180
Finance costs		<u>(3,953)</u>	<u>(3,415)</u>
Profit before taxation		8,754	47,519
Income tax expense	3	<u>(2,312)</u>	<u>(8,312)</u>
<b>Profit for the period</b>	4	<u>6,442</u>	<u>39,207</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		5,143	38,024
Non-controlling interests		<u>1,299</u>	<u>1,183</u>
		<u>6,442</u>	<u>39,207</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	5	<u>1.25</u>	<u>9.18</u>
Diluted	5	<u>1.24</u>	<u>9.18</u>

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

*For the six months ended 30 June 2019*

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<u>6,442</u>	<u>39,207</u>
<b>Other comprehensive income (expense), net of income tax</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation increase on leasehold land and buildings	433	102
Deferred tax arising on revaluation of leasehold land and buildings	(58)	(28)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Share of other comprehensive expense of associates	(190)	(205)
Share of other comprehensive expense of joint ventures	(56)	(172)
Exchange difference arising from foreign operations	<u>(4,301)</u>	<u>(10,819)</u>
<b>Other comprehensive expense for the period</b>	<u>(4,172)</u>	<u>(11,122)</u>
<b>Total comprehensive income for the period</b>	<u>2,270</u>	<u>28,085</u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	1,689	26,222
Non-controlling interests	<u>581</u>	<u>1,863</u>
	<u>2,270</u>	<u>28,085</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		(Unaudited) 30 June 2019	(Audited) 31 December 2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		6,709	6,742
Property, plant and equipment		39,690	41,252
Right-of-use assets		60,826	–
Lease receivables		14,701	–
Goodwill		34,797	35,024
Intangible assets		14,365	16,273
Interests in associates		15,737	15,575
Interests in joint ventures		6,759	6,660
Deferred tax assets		243	331
		193,827	121,857
<b>Current assets</b>			
Trade receivables	7	540,471	747,516
Other receivables, deposits and prepayments		46,856	59,782
Contract assets		49,822	63,990
Financial asset at fair value through profit or loss		945	901
Loan receivable		7,509	7,522
Lease receivables		12,009	–
Amount due from immediate holding company		1,245	1,245
Amounts due from joint ventures		9,524	3,367
Amounts due from associates		11,434	10,902
Amount due from a fellow subsidiary		10	–
Amount due from a related company		–	243
Loan to an associate		500	500
Prepaid tax		4,819	1,161
Pledged bank deposits		28,971	7,548
Bank balances and cash		263,242	240,733
		977,357	1,145,410

		(Unaudited) 30 June 2019 HK\$'000	(Audited) 31 December 2018 HK\$'000
	NOTES		
<b>Current liabilities</b>			
Trade and other payables	8	359,512	441,439
Contract liabilities		49,184	–
Dividend payables		15,742	–
Financial liabilities at fair value through profit or loss		2,247	2,725
Amounts due to associates		1,037	4,092
Amounts due to fellow subsidiaries		1,268	23,272
Amount due to a related company		–	31
Tax liabilities		3,582	8,202
Lease liabilities – due within one year		47,099	–
Obligations under finance leases			
– due within one year		–	173
Bank borrowings		64,278	189,041
		<u>543,949</u>	<u>668,975</u>
<b>Net current assets</b>		<u>433,408</u>	<u>476,435</u>
<b>Total assets less current liabilities</b>		<u>627,235</u>	<u>598,292</u>
<b>Non-current liabilities</b>			
Other payables due after one year	8	3,408	2,919
Financial liabilities at fair value through profit or loss		–	2,022
Lease liabilities – due after one year		39,109	–
Obligations under finance leases			
– due after one year		–	74
Deferred tax liabilities		9,002	10,970
		<u>51,519</u>	<u>15,985</u>
<b>Net assets</b>		<u>575,716</u>	<u>582,307</u>
<b>Capital and reserves</b>			
Share capital	9	41,427	41,427
Reserves		527,522	534,694
Equity attributable to owners of the Company		568,949	576,121
Non-controlling interests		6,767	6,186
<b>Total equity</b>		<u>575,716</u>	<u>582,307</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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 investment properties, financial instruments and certain property, plant and equipment, which are measured at fair values or revalued amounts, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

### 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 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Summary of effects arising from initial application of HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2018 HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	41,252	(454)	40,798
Right-of-use assets	–	63,279	63,279
Lease receivables	–	20,889	20,889
<b>Current assets</b>			
Other receivables, deposits and prepayments	59,782	(4,130)	55,652
Lease receivables	–	11,680	11,680
<b>Current liabilities</b>			
Trade and other payables	441,439	(3,356)	438,083
Lease liabilities	–	40,164	40,164
Obligations under finance leases	173	(173)	–
<b>Non-current liabilities</b>			
Lease liabilities	–	52,910	52,910
Obligations under finance leases	74	(74)	–
<b>Capital and reserves</b>			
Reserves	<u>534,694</u>	<u>1,793</u>	<u>536,487</u>

Details of changes in reclassification and changes in accounting policies will be set out in the interim report.

## 2. SEGMENT INFORMATION

### Segment revenue and results

	(Unaudited)		(Unaudited)	
	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating and reportable segments				
Air freight	1,054,506	1,386,060	79,352	108,496
Ocean freight	379,816	393,024	65,941	62,033
Logistics	34,800	42,157	3,232	3,228
International express and parcel	274,383	72,719	18,956	(1,111)
Others	<u>56,577</u>	<u>54,494</u>	<u>14,149</u>	<u>13,038</u>
 Total	 <u>1,800,082</u>	 <u>1,948,454</u>	 181,630	 185,684
 Other income			 6,048	 8,990
Other gains or losses			(795)	2,672
Unallocated corporate expenses			(174,683)	(147,828)
Share of results of associates			352	1,236
Share of results of joint ventures			155	180
Finance costs			<u>(3,953)</u>	<u>(3,415)</u>
 Profit before taxation			 <u>8,754</u>	 <u>47,519</u>



### 3. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	1,081	1,902
– Enterprise Income Tax in the People’s Republic of China (the “ <b>PRC</b> ”)	168	2,019
– Dutch Corporate Income Tax	12	1,399
– Vietnam Corporate Income Tax	559	743
– Malaysia Corporate Income Tax	924	650
– Canadian Corporate Income Tax	391	493
– Other jurisdictions	1,066	1,005
	<u>4,201</u>	<u>8,211</u>
Under(over) provision in respect of prior years		
– Hong Kong Profits Tax	303	(20)
– Enterprise Income Tax in the PRC	255	–
– Other jurisdictions	(519)	82
	<u>39</u>	<u>62</u>
Withholding tax on dividend received	<u>–</u>	<u>3,030</u>
	4,240	11,303
Deferred taxation	<u>(1,928)</u>	<u>(2,991)</u>
	<u><u>2,312</u></u>	<u><u>8,312</u></u>

#### 4. PROFIT FOR THE PERIOD

**(Unaudited)**  
**Six months ended 30 June**  
**2019**                      **2018**  
*HK\$'000*                      *HK\$'000*

Profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment*	5,033	5,996
Depreciation of right-of-use assets*	16,816	–
Amortisation of intangible assets*	2,653	2,759
Net exchange loss (gain)	<u>470</u>	<u>(4,026)</u>

\* (included in administrative expenses)

#### 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 data:

**(Unaudited)**  
**Six months ended 30 June**  
**2019**                      **2018**  
*HK\$'000*                      *HK\$'000*

##### Earnings

Earnings for the purposes of basic and diluted earnings per share  
(profit for the period attributable to owners of the Company)

	<u>5,143</u>	<u>38,024</u>
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**(Unaudited)**  
**Six months ended 30 June**  
**2019**                      **2018**  
*'000*                      *'000*

##### Number of shares

Weighted average number of ordinary shares for  
the purpose of basic earnings per share

	412,070	414,270
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Effect of dilutive potential ordinary shares on share award plan

	<u>1,440</u>	<u>N/A</u>
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Weighted average number of ordinary shares for  
the purpose of diluted earnings per share

	<u>413,510</u>	<u>414,270</u>
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## 6. DIVIDEND

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend for the year ended 31 December 2018 of HK3.8 cents (31 December 2017: HK2.3 cents) per share	<u>15,742</u>	<u>9,528</u>

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: 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 credit losses, based on invoice date, which are approximately the respective revenue recognition dates, at each of the Reporting Period:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	359,622	421,085
31 – 60 days	111,092	219,799
61 – 90 days	41,435	66,437
91 – 180 days	16,554	29,428
Over 180 days	<u>11,768</u>	<u>10,767</u>
	<u>540,471</u>	<u>747,516</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 Reporting Period:

	<b>(Unaudited)</b> <b>30 June</b> <b>2019</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>
Within 60 days	242,657	297,873
61 – 180 days	10,594	21,603
181 – 365 days	242	3,833
1 – 2 years	<u>2,253</u>	<u>3,295</u>
	<u>255,746</u>	<u>326,604</u>
Trade and other payables analysed as:		
– Current	359,512	441,439
– Non-current	<u>3,408</u>	<u>2,919</u>
	<u>362,920</u>	<u>444,358</u>

## 9. SHARE CAPITAL

	<b>Number of</b> <b>ordinary shares</b>	<b>Share capital</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	<u>414,270,000</u>	<u>41,427</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Reporting Period, the demand for logistics and freight forwarding services decreased after the continued rise in the past consecutive years. Such drop was due to the trade war between China and the United States and the global macroeconomic uncertainties. This led to a drop in the demand for air freight services brought by customers in the air freight segment resulted in a reduction in the Group's revenue during the Reporting Period.

### **FINANCIAL RESULTS**

The Group's revenue during the Reporting Period was mainly contributed by the air freight and ocean freight segments. During the Reporting Period, the Group recorded revenue of about HK\$1,800.1 million (1H2018: about HK\$1,948.5 million), representing a period-on-period drop of about 7.6%. Gross profit amounted to about HK\$256.2 million (1H2018: about HK\$272.9 million), representing a period-on-period decrease of about 6.1%. However, due to better cost control, the gross profit margin slightly increased to about 14.2% (1H2018: about 14.0%), while the net profit attributable to owners of the Company decreased significantly to about HK\$5.1 million, representing a period-on-period drop of about 86.5% (1H2018: HK\$38.0 million). The decrease in profit attributable to the owners of the Company was mainly due to (a) the peripheral economic downturn caused by the trade war between China and the United States and the global macroeconomic uncertainties; (b) the demand for air freight services brought by the customers in the air freight segment has decreased; and (c) the increment of staff cost due to the salary increment and recognition of expenses related to the share awards.

## SEGMENTAL ANALYSIS

The Group's core businesses are air and ocean freight forwarding, complemented by the ancillary and contract logistics services (including warehousing, distribution and customs clearance), international express and parcel services and other businesses (comprising combine shipments, trucking, general sales agency and hand-carry services). The comprehensive range of services offered by the Group enable the Group to meet diverse customers' needs and provide cross-selling opportunities.

### **Air Freight**

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 58.6% of the Group's total revenue during the Reporting Period (1H2018: about 71.1%). It principally involves in arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing for 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-commerce business and among others.

During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$1,054.5 million (1H2018: about HK\$1,386.1 million), representing a decrease of about 23.9% as compared to the corresponding period of 2018. Gross profit of the segment also decreased from about HK\$151.5 million in the corresponding period of 2018 to about HK\$118.0 million during the Reporting Period, representing a period-on-period decrease of about 22.1%. In respect of air import and export tonnage, the Group noted a period-on-period decrease of about 22.4%.

## **Ocean Freight**

The ocean freight segment contributed about 21.1% of the Group's total revenue during the Reporting Period (1H2018: about 20.2%). The ocean freight forwarding business principally involves in 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, revenue of ocean freight segment decreased by about 3.4% period-on-period to about HK\$379.8 million (1H2018: about HK\$393.0 million). Gross profit decreased to about HK\$80.9 million (1H2018: about HK\$84.8 million).

## **Ancillary and Contract Logistics Services**

Accounting for about 1.9% (1H2018: about 2.2%) of the Group's total revenue during the Reporting Period, the ancillary and contract logistics services segment 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 Reporting Period, the Group sought to further adjust its warehouse operation and enhance its transshipment capacities to cope with the market conditions. Consequently, this segment achieved revenue of about HK\$34.8 million (1H2018: about HK\$42.2 million) and gross profit of about HK\$22.2 million (1H2018: about HK\$23.6 million).

## **International Express and Parcel Services**

International express and parcel services which mainly consist of cross-border small parcels of delivery business is the Group's fast growing business to capture the development opportunities arising from the global cross-border e-commerce business. It represents about 15.2% of the total revenue of the Group during the Reporting Period (1H2018: about 3.7%). The Group considers the e-commerce platform as the new channel and leverages on the strong synergy and integration capability of domestic and foreign logistic resources, so as to increase our market penetration and proactively establish the full-chain services, which ultimately provides baskets of cross-border package delivery solutions. YTO Express Group Co., Ltd. ("**YTO Express**") possesses a strong express logistic service network covering the PRC, which provides firm supports for the Group's development of end-to-end full-chain services. As at 30 June 2019, the Group has established cross-border full-chain services and has entered into strategic cooperation with 18 postal companies or express companies in 17 countries. Through the focus on developing and nurturing the delivery of product from the PRC to Taiwan, the Group has received positive comments from customers and market recognition.

The Group responded actively to changes in markets and competitive landscapes and proactively developed the international express and parcel services market during the Reporting Period. Benefiting from the rapid development of e-commerce in Southeast Asia, the continuous deepening of the cooperation with Hangzhou Cainiao Supply Chain Management Co., Limited ("**Cainiao**") and the development of new customers, revenue from international express and parcel services increased from about HK\$72.7 million in the corresponding period of 2018 to about HK\$274.4 million during the Reporting Period, representing an increase of about 277.3%. During the Reporting Period, the Group has completed the delivery of about 32.5 million units in international express and parcel business during the Reporting Period (1H2018: about 13.1 million).

In the meantime, by imposing stringent key performance indicator management and quality control to the services of suppliers, and implementing strict cost control measures, the timing and quality of our services has been improving, thus the gross profit margin and gross profit of the international express and parcel services business has been increasing correspondingly. During the Reporting Period, the gross profit of international express and parcel services increased to about HK\$20.9 million (1H2018: about HK\$27,000) representing a significant growth of about 77,307.4%.



## **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\$56.6 million (1H2018: about HK\$54.5 million) and gross profit of about HK\$14.1 million (1H2018: about HK\$13.0 million). The gross profit margin of other businesses increased from 23.9% in 1H2018 to 25.0% 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 2019 was about HK\$433.4 million, representing a decrease of about 9.0% from about HK\$476.4 million as at 31 December 2018. The current ratio of the Group slightly increased from about 1.71 times as at 31 December 2018 to about 1.80 times as at 30 June 2019.

As at 30 June 2019, the Group's bank balances and cash amounted to about HK\$263.2 million, representing an increase of about 9.4% from about HK\$240.7 million as at 31 December 2018. For the Reporting Period, the Group had operating cash inflow of about HK\$198.7 million (1H2018: operating cash inflow of about HK\$57.1 million). As at 30 June 2019, the Group's outstanding bank borrowings amounted to about HK\$64.3 million (as at 31 December 2018: about HK\$189.0 million). The gearing ratio of the Group was about 11.2% as at 30 June 2019 (as at 31 December 2018: about 32.5%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2019 and as at 31 December 2018, 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 2018. 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 2019, the Group has below capital expenditure commitments (as at 31 December 2018: HK\$5,000,000):

- (i) The contingent consideration of HK\$2,250,000 to be determined based on the future financial performance of 翼尊國際貨運代理(上海)有限公司 (Best Loader Logistics (Shanghai) Company Limited\*) (“**Best Loader Shanghai**”); and
- (ii) The contingent consideration of HK\$250,000 to be determined based on the future financial performance of Best Loader Logistics Company Limited (“**Best Loader HK**”).

## CONTINGENT LIABILITIES

As at 30 June 2019, 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 ended 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**”).

\* For identification purpose only

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.

The 2017 NAV Guarantee and the 2018 NAV Guarantee have been fulfilled. Given the fulfillment of the 2017 NAV Guarantee and the 2018 NAV Guarantee, On Time BVI has paid to the First Vendor in aggregate of HK\$550,000 in cash for the payment of part of the consideration for the First Sale and Purchase Agreement. The Company will publish announcements to inform the Shareholders whether Best Loader HK has achieved the 2019 NAV Guarantee after the determination of the 2019 Accounts.

Please refer to the announcements of the Company dated 5 May 2017, 3 August 2018 and 15 March 2019 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 ended 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.

The 2017 SH NAV Guarantee and the 2018 SH NAV Guarantee have been fulfilled. Given the fulfillment of the 2017 SH NAV Guarantee and the 2018 SH NAV Guarantee, On Line HK has paid to the First Vendor in aggregate of HK\$4,950,000 in cash for the payment of part of the consideration for the Second Sale and Purchase Agreement. The Company will publish announcements to inform the Shareholders whether Best Loader Shanghai has achieved the 2019 SH NAV Guarantee after the determination of the 2019 SH Accounts.

Please refer to the announcements of the Company dated 5 May 2017, 3 August 2018 and 15 March 2019 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 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 2019, certain of the Group's trade receivables with an aggregate carrying amount of about HK\$969,000 (as at 31 December 2018: about HK\$88.8 million), financial asset at fair value through profit or loss of about HK\$945,000 (as at 31 December 2018: about HK\$901,000), loan receivable of about HK\$7.5 million (as at 31 December 2018: HK\$7.5 million) together with short-term bank deposits of about HK\$29.0 million (as at 31 December 2018: about HK\$7.5 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 report.

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

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Reporting Period.

## **PROSPECTS**

During the Reporting Period, due to Sino-US trade turbulence, the demand of import and export trade has declined, which also adversely affected air and ocean freight forwarding. As one of the largest components of cross-border logistics, international freight forwarding, might witness a slow-down in growth as well. Meanwhile, global demands for cross-border e-commerce and e-commerce logistics keep rising. The upgrade of information technology and offering of digitalized products are in progress. There is also synergy improvement internally between the Group and its parent company after the acquisition. All these factors are beneficial to the Group's medium to long-term development. Moreover, the Group will keep strengthening its integrated supply chain service capacity and expanding its global networking layout.

## **Focus on Freight Forwarding Digitalization**

There has been a growing trend of digitalization development among global leading forwarders, among whom digital products with online booking, shipment tracking and other features have been offered to the market. The Group will keep implementing the digital transformation of forwarding business strategy and work on the development of internet-based products, so as to reduce error rates in manual work, optimize costs, and provide customers with a more convenient and all-controllable international logistic service experience. The construction of digitalized forwarding platform will enhance the connections between the Group and its existing customers and enable the Group to develop new clients.

## **Develop E-commerce Market Capabilities**

As one of the important focus areas of the Group going forward, the Group will continue to develop its logistics capabilities in regards to both business-to-business and business-to-consumer e-commerce logistics products. Leveraging on the express delivery capabilities and complete China domestic network coverage of YTO Express, the Group intends to provide its clients with cost-competitive international delivery solutions, including cross-border express, overseas warehousing and global transshipment. With growing changes in customer demands, the Group is able to provide the market with customized solutions based on diversified business scenarios.

## **Improve Supply Chain Service**

The Group will leverage the international supply chain service capability experience which the group has accumulated over years and the abundant client base of YTO Express, and gradually establish the Group international supply chain service capability in specialized fields including medicine, garments, electronics, food and beverages. The Group intends to promote internal cooperation among sectors under YTO Express which include airline, warehousing, domestic courier, finance companies, in order to strengthen the competitive edge of the Group in the international supply chain and freight forwarding. The Group will strengthen its development of direct clients with optimized accounts management.

## **Seek Breakthroughs in Courier in Emerging Markets**

The Group will continue to explore opportunities for the courier products in different countries other than the PRC, especially the emerging economies including Association of Southeast Asian Nations countries and the Middle East. The Group will seek opportunities for cooperation with local giants or leading e-commerce platforms to build up its presence in local markets, so as to tap into new markets and gain new transport business which may in turn increase the reliance of the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure. Meanwhile, the Group will continue to optimize its current cross-border e-commerce logistics capacities in developed markets.

## **HUMAN RESOURCES**

As at 30 June 2019, the Group employed about 1,103 employees (as at 30 June 2018: about 1,089 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme and a share award plan 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](http://www.hkexnews.hk) and the Company's website at [www.ytoglob.com](http://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, 19 August 2019

*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.*