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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)

CONTINUING CONNECTED TRANSACTIONS

(1) INCREASE OF PROPOSED ANNUAL CAPS UNDER MASTER SERVICE AGREEMENT

AND

(2) MASTER CHARTER AGREEMENT

(1) INCREASE OF PROPOSED ANNUAL CAPS UNDER MASTER SERVICE AGREEMENT

Reference is made to the announcement of the Company dated 24 April 2019 in relation to, among others, the Master Service Agreement entered into between the Company and Yuantong, and the Master Service Agreement Annual Caps for each of the three years ending 31 December 2021.

Due to the increase in the provision of international express and parcel services and air and ocean freight services by the Group and Yuantong Members, the Board proposes to increase the Master Service Agreement Annual Caps to the Adjusted Master Service Agreement Annual Caps and to seek the approval of the Independent Shareholders for the Adjusted Master Service Agreement Annual Caps.

(2) MASTER CHARTER AGREEMENT

On 23 August 2019, the Company (for itself and on behalf of other members of the Group) has entered into the Master Charter Agreement with YTO Cargo, pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for a term commencing from the Effective Date to 31 December 2021 unless terminated earlier by 60 days' written notice by either party.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yuantong is a company owned as to over 50% by Yuantong Jiaolong, which in turn is a company owned as to 51% by Mr. Yu (a non-executive Director) and 49% by his spouse. Accordingly, Yuantong is a connected person of the Company under Rule 14A.07 of the Listing Rules.

Accordingly, the transactions contemplated under the Master Service Agreement and Master Charter Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the Adjusted Master Service Agreement Annual Caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on annual basis. Accordingly, the Adjusted Master Service Agreement Annual Caps is subject to independent shareholder's approval, annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

Furthermore, based on the annual caps for the Master Charter Agreement, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on annual basis. Accordingly, the Master Charter Agreement is subject to independent shareholder's approval, annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be held to consider and, if thought fit, passing the ordinary resolutions to approve, among other matters, the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement.

A circular containing, among other matters, (i) further information regarding the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps; and (iv) a notice of the EGM to the Shareholders, will be despatched to the Shareholders on or before 13 September 2019.

(1) INCREASE OF PROPOSED ANNUAL CAPS UNDER MASTER SERVICE AGREEMENT

Reference is made to the announcement of the Company dated 24 April 2019 in relation to, among others, the Master Service Agreement entered into between the Company and Yuantong, and the Master Service Agreement Annual Caps for each of the three years ending 31 December 2021.

Due to the increase in the provision of international express and parcel services and air and ocean freight services by the Group and Yuantong Members, the Board proposes to increase the Master Service Agreement Annual Caps to the Adjusted Master Service Agreement Annual Caps for each of the three years ending 31 December 2021.

MAJOR TERMS OF THE MASTER SERVICE AGREEMENT

Date: 24 April 2019

Parties: (i) The Company
(ii) Yuantong

Principal terms: Under the Master Service Agreement, (i) the Company has appointed Yuantong Members as the Group's agents for the rest of the world; and (ii) Yuantong has appointed the Group as Yuantong Members' agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services.

For each transaction under the Master Service Agreement, the parties shall enter into separate order, provided that the terms and conditions of each of the order shall be (i) on normal commercial terms; and (ii) on terms which the Group considers to be no less favourable to the Group than terms offered by Independent Third Parties to the Group for such services of comparable quality.

The Master Service Agreement was entered into for a term commencing as of 1 January 2019 to 31 December 2021 unless terminated earlier by 30 days' written notice by either party.

REVISION OF ANNUAL CAPS

Original annual caps and historical transaction figures

The original annual caps under the Master Service Agreement of (i) international express and parcel services and air and ocean freight services fees to be paid by the Group to Yuantong Members for each of the three years ending 31 December 2021 are HK\$42.0 million, HK\$49.6 million and HK\$58.5 million, respectively; and (ii) international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members for each of the three years ending 31 December 2021 are HK\$8.7 million, HK\$10.3 million and HK\$12.1 million, respectively.

The historical actual transaction amount for the year ended 31 December 2018 and for the seven months ended 31 July 2019 of (i) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members amounted to approximately HK\$35.6 million and HK\$41.1 million, respectively; and (ii) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members amounted to approximately HK\$7.4 million and HK\$5.8 million, respectively.

Revised annual caps and basis

The Company proposes to increase the Master Service Agreement Annual Caps of (i) international express and parcel services and air and ocean freight services fees to be paid by the Group to Yuantong Members to HK\$88.8 million, HK\$257.5 million and HK\$386.3 million, for each of the three years ending 31 December 2021, respectively; and (ii) international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members to HK\$114.3 million, HK\$342.9 million and HK\$481.0 million, for each of the three years ending 31 December 2021, respectively (collectively, the “**Adjusted Master Service Agreement Annual Caps**”).

The above Adjusted Master Service Agreement Annual Caps of international express and parcel services and air and ocean freight services fees to be paid by the Group to Yuantong Members for each of the three years ending 31 December 2021 were determined by the Directors by reference to:

- (i) the historical actual amount of international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members for the year ended 31 December 2018 and the seven months ended 31 July 2019;
- (ii) the expected demand of international express and parcel service and air and ocean freight services by the Group;
- (iii) the expected growth of about 180% and 40% in demand of international express and parcel services and air and ocean freight services of the Group for the year ending 31 December 2020 and 2021; and
- (iv) a 10% buffer to cater for the unanticipated increase in each of the fees to be paid by the Group under the Master Service Agreement.

The above Adjusted Master Service Agreement Annual Caps of international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members for each of the three years ending 31 December 2021 were determined by the Directors by reference to:

- (i) the historical actual amount of international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the year ended 31 December 2018 and the seven months ended 31 July 2019;
- (ii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;
- (iii) the expected growth of about 190% and 30% in demand of international express and parcel services and air and ocean freight services of Yuantong Members for the year ending 31 December 2020 and 2021; and
- (iv) a 10% buffer to cater for the unanticipated increase in each of the income to be received by the Group under the Master Service Agreement.

(2) MASTER CHARTER AGREEMENT

On 23 August 2019, the Company (for itself and on behalf of other members of the Group) entered into the Master Charter Agreement with YTO Cargo, pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.

The principal terms of the Master Charter Agreement are set out below:

- Date:** 23 August 2019
- Parties:**
- (i) The Company (for itself and on behalf of other members of the Group)
 - (ii) YTO Cargo
- Principal terms:** Under the Master Charter Agreement, YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.
- Pricing Policy:** The Charter and Related Fees shall be determined by the parties at the time of placing the order with reference to the Charter and Related Fees charged by Independent Third Party freight services providers of comparable services. The Group will obtain quotation from at least one (or such other number as shall be determined by the majority of the independent non-executive Directors from time to time) Independent Third Party freight services providers and compare it with the terms offered by YTO Cargo for the provision of air freight charter services. The Group will also compare the track record and reputation of such Independent Third Party freight services provider against YTO Cargo's track record and reputation. The Charter and Related Fees shall be determined by using the lower of (i) the Charter and Related Fees offered by YTO Cargo; and (ii) quotation from Independent Third Party freight services providers of comparable services.

All expenses related to cargo terminal operations (“**Cargo Terminal Expenses**”) at departure and destination airport are to be paid by the Group, and in the event that the relevant cargo terminal requested such expenses to be directly settled by YTO Cargo, YTO Cargo will settle such amount on behalf of the Group and the Group will fully reimburse YTO Cargo for such expenses and pay a handling fee, which is equivalent to 5% of the Cargo Terminal Expenses to YTO Cargo.

Payment:

The relevant member of the Group which has used the services under the Master Charter Agreement shall settle payments on weekly basis to YTO Cargo by ways of telegraphic transfer

Term:

The Master Charter Agreement was entered into for a term commencing from the Effective Date to 31 December 2021 unless terminated earlier by 60 days’ written notice by either party.

Proposed annual caps of the Master Charter Agreement

The Group has not previously engaged YTO Cargo for the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.

The Directors estimated that the annual amount of Charter and Related Fees, the Cargo Terminal Expenses (which may be payable by YTO Cargo to the relevant cargo terminal on behalf of the Group) and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to YTO Cargo will not exceed HK\$15.0 million, HK\$428.9 million and HK\$643.4 million for each of the three years ending 31 December 2021, respectively.

The above proposed annual caps under the Master Charter Agreement for each of the three years ending 31 December 2021 were determined by the Directors by reference to:

- (i) the expected demand of air freight chartering services to and from countries and regions around the world by the Group during the year ending 31 December 2019 and 31 December 2020;
- (ii) the expected growth of about 40% in demand of air freight chartering services to and from countries and regions around the world by the Group for the year ending 31 December 2021; and
- (iii) the 13% buffer to cater for the unanticipated increase in Charter and Related Fees, Cargo Terminal Expenses and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to YTO Cargo under the Master Charter Agreement.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Adjusted Master Service Agreement Annual Caps

International express and parcel services which mainly consists of cross-border small parcels of delivery business is the Group's growing business to capture the development opportunities arising from the global cross-border e-commerce business. Yuantong 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. The Group will also benefit from the transportation and logistics business for the rest of the world brought in by Yuantong. As such, the Directors consider that the Master Service Agreement is fundamental to the business operation of, and is for the commercial benefit of, the Group.

The Directors (other than the independent non-executive Directors who will form their view after considering the advice from the Independent Financial Adviser) consider that the continuing connected transactions contemplated under the Master Service Agreement are entered into in the ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the Adjusted Master Service Agreement Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Master Charter Agreement

The Group will benefit from the international express business to and from countries and regions around the world brought in by Yuantong. Given such, the Directors consider that the Master Charter Agreement is essential to the business growth of, and is for the commercial benefit of the Group.

The Directors (other than the independent non-executive Directors who will form their view after considering the advice from the Independent Financial Adviser) consider that the continuing connected transactions contemplated under the Master Charter Agreement has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the Master Charter Agreement and the proposed annual caps set out above are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

RELATIONSHIPS AND IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yuantong is a company owned as to over 50% by Yuantong Jiaolong, which in turn is a company owned as to 51% by Mr. Yu (a non-executive Director) and 49% by his spouse. Accordingly, Yuantong is a connected person of the Company under Rule 14A.07 of the Listing Rules. Furthermore, as YTO Cargo is a wholly owned subsidiary of Yuantong, it is a connected person of the Company under Rule 14A.07 of the Listing Rules.

Accordingly, the transactions contemplated under the Master Service Agreement and Master Charter Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the Adjusted Master Service Agreement Annual Caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on annual basis. Accordingly, the Adjusted Master Service Agreement Annual Caps is subject to independent shareholder's approval, annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

Furthermore, based on the annual caps for the Master Charter Agreement, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on annual basis. Accordingly, the Master Charter Agreement is subject to independent shareholder's approval, annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

As Mr. Yu, Mr. Li Xianjun, Mr. Su Xiufeng, Mr. Zhu Rui and Mr. Lin Kai are materially interested in the continuing connected transactions under the Master Service Agreement and the Master Charter Agreement, they have abstained from voting on the respective resolutions passed at the Board meeting for approving the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps. Save for the Director mentioned above, none of the other Directors is or is deemed to have a material interest in the above transactions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on, among other things, whether the Adjusted Master Service Agreement Annual Caps and the terms and the proposed annual caps for the three years ending 31 December 2021 for the Master Charter Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Company has appointed Red Sun Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be held to consider and, if thought fit, passing the ordinary resolutions to approve, among other matters, the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement.

As at the date of the announcement, YTO Global Holdings Limited, and its associates will be required to abstain from voting on the resolutions relating to the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement at the EGM. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other matters, (i) further information regarding the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps; and (iv) a notice of the EGM to the Shareholders, will be despatched to the Shareholders on or before 13 September 2019.

GENERAL

The principal activity of the Company is investment holding, and through its subsidiaries, specialises in international air and sea freight forwarding as well as warehousing and value-added logistics and distribution. The Group further provides support services in relation to origin management, key account management, customs and compliance, web-based supply chain visibility and supply chain consultancy.

Yuantong is a company listed on the Shanghai Stock Exchange (stock code: 600233). Yuantong Members are principally engaged in the warehousing and distribution of goods as a leader in the express and courier service market in the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Adjusted Master Service Agreement Annual Caps”	the increased annual caps as proposed for the transactions contemplated under the Master Service Agreement for each of the three years ending 31 December 2021 as set out in the paragraph headed “Revision of Annual Caps” of this announcement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cargo Terminal Expenses”	as defined in the paragraph headed “(2) Master Charter Agreement” of this announcement
“Charter and Related Fees”	the charter fee and other charter related fees (including but not limited to fuel surcharge and deicing fee) for each of the countries and regions around the world
“Company”	YTO Express (International) Holdings Limited 圓通速遞（國際）控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the main board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Effective Date”	date of approval by the Independent Shareholders of the transactions contemplated under the Master Charter Agreement and the related annual caps at the EGM
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps
“Independent Financial Adviser”	Red Sun Capital Limited, the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps

“Independent Shareholders”	the Shareholders other than YTO Global Holdings Limited and its associates, and all other Shareholders materially interested in the Master Service Agreement and the related Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps, who are not required to abstain from voting at the EGM
“Independent Third Party(ies)”	third party or parties and who and whose ultimate beneficial owner(s) are independent of the Company and its connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Charter Agreement”	the agreement dated 23 August 2019 and entered into between the Company (for itself and on behalf of other members of the Group) and YTO Cargo pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes
“Master Service Agreement”	the agreement dated 24 April 2019 and entered into between the Company and Yuantong where (i) the Company has appointed Yuantong Members as the Group’s agents for the rest of the world; and (ii) Yuantong has appointed the Group as Yuantong Members’ agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services

“Master Service Agreement Annual Caps”	the annual caps for the transactions contemplated under the Master Service Agreement for each of the three years ending 31 December 2021 as set out in the announcement of the Company dated 24 April 2019
“Mr. Yu”	Mr. Yu Huijiao, a non-executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China, excluding for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“YTO Cargo”	YTO Cargo Airlines Co., Ltd.* 杭州圓通貨運航空有限公司, a company established in the PRC and a wholly owned subsidiary of Yuantong
“Yuantong”	YTO Express Group Co., Ltd. 圓通速遞股份有限公司, a joint stock limited liability company established in the PRC and a controlling shareholder of the Company
“Yuantong Jiaolong”	Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.* 上海圓通蛟龍投資發展(集團)有限公司, a company established in the PRC and a controlling shareholder of the Company

“Yuantong Members”	Yuantong and its subsidiaries and associated companies excluding the Group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

* denotes English translation of the name of a Chinese company, and is provided for identification purposes only

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, 23 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.