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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Lam Chun Chin, Spencer  
(*Chief Executive Officer*)  
Mr. Li Xianjun

### NON-EXECUTIVE DIRECTORS

Mr. Yu Huijiao (*Chairman*)  
Mr. Su Xiufeng  
Mr. Zhu Rui  
Mr. Lin Kai

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Donghui  
Mr. Xu Junmin  
Mr. Chung Kwok Mo John

### COMPANY SECRETARY

Ms. Wong Pui Wah,  
*HKICPA (non-practising), FCCA*

### AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)  
Mr. Lam Chun Chin, Spencer  
Ms. Wong Pui Wah

### AUTHORISED REPRESENTATIVE

(for the purpose of the Companies  
Ordinance)  
Ms. Wong Pui Wah

### AUDIT COMMITTEE

Mr. Chung Kwok Mo John (*Chairman*)  
Mr. Lin Kai  
Mr. Li Donghui

### REMUNERATION COMMITTEE

Mr. Xu Junmin (*Chairman*)  
Mr. Yu Huijiao  
Mr. Chung Kwok Mo John

### NOMINATION COMMITTEE

Mr. Yu Huijiao (*Chairman*)  
Mr. Li Donghui  
Mr. Xu Junmin

### CORPORATE GOVERNANCE COMMITTEE

Mr. Lam Chun Chin, Spencer (*Chairman*)  
Mr. Li Xianjun  
Mr. Li Donghui  
Mr. Xu Junmin  
Mr. Chung Kwok Mo John

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 18, 1st Floor, Sino Industrial Plaza  
9 Kai Cheung Road  
Kowloon Bay  
Hong Kong

### COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

### AUDITOR

Deloitte Touche Tohmatsu

### COMPANY'S WEBSITE

[www.ytglobal.com](http://www.ytglobal.com)

### STOCK CODE

6123



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The board (the “Board”) of directors (the “Directors”) of YTO Express (International) Holdings Limited (圓通速遞(國際)控股有限公司) (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 report for comparative purposes.

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.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENTAL ANALYSIS (CONTINUED)

#### **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).



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENTAL ANALYSIS (CONTINUED)

#### 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).





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENTAL ANALYSIS (CONTINUED)

#### International Express and Parcel Services (Continued)

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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PERFORMANCE GUARANTEES (CONTINUED)

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

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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PERFORMANCE GUARANTEES (CONTINUED)

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

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.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PROSPECTS (CONTINUED)

#### 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 the Share Option Scheme (as defined below) and the Share Award Plan (as defined below) 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.





## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

#### (A) Long position in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of shares involved	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	Interest of a controlled corporation ( <i>Note 1</i> )	40,224,000	9.71%
Mr. Yu Huijiao	Interest of controlled corporations ( <i>Note 2</i> )	268,229,408	64.75%

#### Notes:

1. These shares are held by Golden Strike International Limited ("Lam Investco"), which is wholly owned by Mr. Lam Chun Chin, Spencer. By virtue of the SFO, Mr. Lam Chun Chin, Spencer is deemed to be interested in the shares of the Company held by Lam Investco.
2. These shares of the Company are held by YTO Global Holdings Limited, a company wholly owned by 上海圓鈞國際貿易有限公司 ("Yuan Jun"). Yuan Jun is a company wholly owned by 圓通速遞股份有限公司 ("YTO Express"), which is in turn owned as to 51.01% by 上海圓通蛟龍投資發展(集團)有限公司 ("Yuantong Jiaolong"). Yuantong Jiaolong is a company owned as to 51% by Mr. Yu Huijiao and 49% by his spouse, Ms. Zhang Xiaojuan. By virtue of the SFO, Mr. Yu Huijiao and Ms. Zhang Xiaojuan are deemed to be interested in the shares of the Company held by YTO Global Holdings Limited.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

#### (B) Long position in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares involved/amount of registered capital	Approximate percentage* of shareholding
Mr. Yu Huijiao	Yuantong Jiaolong	Beneficial owner	RMB260,100,000	51.00%
		Interest of spouse	RMB249,900,000	49.00%
	YTO Express	Interest of controlled corporations	1,579,971,414	55.81%
		Beneficial owner	133,450,083	4.71%
		Interest of spouse	98,127,852	3.47%
	Yuan Jun	Interest of controlled corporations	RMB1,800,000,000	100.00%
		YTO Global Holdings Limited	Interest of controlled corporations	1,600,000,000

*Note:* The relations between Mr. Yu Huijiao and the above associated corporations are set out in note 2 of part (A) of the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation". YTO Global Holdings Limited holds more than 50% of the issued share capital of the Company, and Yuantong Jiaolong, YTO Express and Yuan Jun directly/indirectly hold more than 50% of the issued share capital of YTO Global Holdings Limited. In this connection, Yuantong Jiaolong, YTO Express, Yuan Jun and YTO Global Holdings Limited are associated corporations of the Company within the meaning of Part XV of the SFO.

\* The percentage represents the number of shares involved divided by the number of the Company's/the Company's associated corporations' issued shares or registered capital as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.





## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### Long position in ordinary shares of the Company

Name of shareholder	Capacity/nature of interest	Number of shares involved	Percentage* of the Company's issued share capital
Lam Investco ( <i>Note 1</i> )	Beneficial owner	40,224,000	9.71%
Ms. Li Wai Fun ( <i>Note 1</i> )	Interest of spouse	40,224,000	9.71%
YTO Global Holdings Limited ( <i>Note 2</i> )	Beneficial owner	268,229,408	64.75%
YTO Express ( <i>Note 2</i> )	Interest of controlled corporations	268,229,408	64.75%
Yuantong Jiaolong ( <i>Note 2</i> )	Interest of controlled corporations	268,229,408	64.75%
Ms. Zhang Xiaojuan ( <i>Note 2</i> )	Interest of controlled corporations	268,229,408	64.75%
CAM SPC - Alpha SP	Investment manager	37,698,000 ( <i>Note 3</i> )	9.10%



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

*Notes:*

1. Lam Investco is wholly owned by Mr. Lam Chun Chin, Spencer and Mr. Lam Chun Chin, Spencer is the sole director of Lam Investco. By virtue of the SFO, Mr. Lam Chun Chin, Spencer is deemed to be interested in the shares of the Company held by Lam Investco as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Li Wai Fun is the spouse of Mr. Lam Chun Chin, Spencer. Under the SFO, Ms. Li Wai Fun is taken to be interested in the same number of shares of the Company in which Mr. Lam Chun Chin, Spencer is interested.
  2. These interests are also disclosed as the interest of Mr. Yu Huijiao in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation".
  3. Based on the disclosure of interests form submitted by this substantial shareholder as at 30 June 2019.
- \* The percentage represents the number of shares of the Company involved divided by the number of the Company's issued shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to Chapter 17 of the Listing Rules on 21 June 2014. The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Group. During the Reporting Period, no share options have been outstanding, granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.







## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### SHARE AWARD PLAN

The Company adopted a share award plan on 17 August 2018 (the “Share Award Plan”). The purposes of the Share Award Plan are to recognise and reward the contribution of the eligible participants to the growth and development of the Group, to give incentives to the eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Details of the Share Award Plan were disclosed in the Company’s announcements dated 17 August 2018 and 24 August 2018.

Details of movements of the share awards granted under the Share Award Plan during the Reporting Period are as follows:

Name or category of selected participants	Date of award	Vesting dates	Number of share awards				
			Outstanding as at 1 January 2019	Awarded during the Reporting Period	Vested during the Reporting Period	Lapsed/Cancelled during the Reporting Period	Outstanding as at 30 June 2019
<b>Connected Selected Participants</b>							
Ms. Wong Pui Wah	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	800,000	-	-	-	800,000
Ms. Cheung Ching Wa, Camy	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	600,000	-	-	-	600,000
Mr. Chen Jinbo	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	500,000	-	-	-	500,000
<b>Sub-total</b>			<b>1,900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,900,000</b>
<b>Independent Selected Participants</b>							
	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	7,500,000	-	-	-	7,500,000
<b>Sub-total</b>			<b>7,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,500,000</b>
<b>Total</b>			<b>9,400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,400,000</b>

*Notes:*

- (1) None of the above selected participants are directors of the Company.
- (2) Details of the above share awards were disclosed in the Company’s announcement dated 31 August 2018 and circular dated 1 February 2019.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### 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. 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.

### UPDATE ON DIRECTORS’ INFORMATION

Set out below are the changes in the Directors’ information, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (i) With effect from 28 March 2019, Mr. Li Xianjun, an executive Director, ceased to be the President of the Company.
- (ii) With effect from 17 April 2019, Mr. Yu Huijiao, a non-executive Director, has resigned as chief executive officer of YTO Express.





## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### 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.

### 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



## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

TO THE BOARD OF DIRECTORS OF YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED

### INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 20 to 58, which comprise the condensed consolidated statement of financial position of YTO Express (International) Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2019 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
19 August 2019





## 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	3	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	10	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	4	<u>(2,312)</u>	<u>(8,312)</u>
<b>Profit for the period</b>	5	<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	6	<u>1.25</u>	<u>9.18</u>
Diluted	6	<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
	HK\$'000	HK\$'000
<b>Profit for the period</b>	6,442	39,207
<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	(4,301)	(10,819)
<b>Other comprehensive expense for the period</b>	(4,172)	(11,122)
<b>Total comprehensive income for the period</b>	2,270	28,085
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	1,689	26,222
Non-controlling interests	581	1,863
	2,270	28,085





## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

		(Unaudited) 30 June 2019	(Audited) 31 December 2018
	NOTES	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Investment properties	8	6,709	6,742
Property, plant and equipment	9	39,690	41,252
Right-of-use assets	9	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	10	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	15	1,245	1,245
Amounts due from joint ventures	15	9,524	3,367
Amounts due from associates	15	11,434	10,902
Amount due from a fellow subsidiary	15	10	–
Amount due from a related company	15	–	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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2019

		(Unaudited) 30 June 2019	(Audited) 31 December 2018
	NOTES	HK\$'000	HK\$'000
<b>Current liabilities</b>			
Trade and other payables	11	359,512	441,439
Contract liabilities		49,184	–
Dividend payables	7	15,742	–
Financial liabilities at fair value through profit or loss		2,247	2,725
Amounts due to associates	15	1,037	4,092
Amounts due to fellow subsidiaries	15	1,268	23,272
Amount due to a related company	15	–	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	12	64,278	189,041
		543,949	668,975
<b>Net current assets</b>		433,408	476,435
<b>Total assets less current liabilities</b>		627,235	598,292
<b>Non-current liabilities</b>			
Other payables due after one year	11	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
		51,519	15,985
<b>Net assets</b>		575,716	582,307
<b>Capital and reserves</b>			
Share capital	13	41,427	41,427
Reserves		527,522	534,694
		568,949	576,121
Equity attributable to owners of the Company		568,949	576,121
Non-controlling interests		6,767	6,186
<b>Total equity</b>		575,716	582,307







## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000 <i>(Note b)</i>	Other reserve HK\$'000 <i>(Note c)</i>	Translation reserve HK\$'000	Statutory reserve HK\$'000 <i>(Note d)</i>	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2018 <i>(audited and adjusted)</i>	41,427	420,916	(771)	(295,411)	(705)	(21,119)	13,024	11,368	357,733	526,462	26,741	553,203
Profit for the period	-	-	-	-	-	-	-	-	38,024	38,024	1,183	39,207
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	102	-	102	-	-	102
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	(28)	-	(28)	-	(28)
Share of other comprehensive expense of associates	-	-	-	-	-	(205)	-	-	-	(205)	-	(205)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	(172)	-	-	-	(172)	-	(172)
Exchange difference arising from foreign operations	-	-	-	-	-	(11,499)	-	-	-	(11,499)	680	(10,819)
Total comprehensive (expense) income for the period	-	-	-	-	-	(11,876)	-	74	38,024	26,222	1,863	28,085
Acquisition of shares of a subsidiary from non-controlling interests <i>(Note a)</i>	-	-	(21,910)	-	-	-	-	-	-	(21,910)	(16,090)	(38,000)
Dividend declared to shareholders <i>(Note 7)</i>	-	-	-	-	-	-	-	-	(9,528)	(9,528)	-	(9,528)
Dividend paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	(6,712)	(6,712)
Transfer from statutory reserve	-	-	-	-	-	-	(33)	-	33	-	-	-
At 30 June 2018 <i>(unaudited)</i>	41,427	420,916	(22,681)	(295,411)	(705)	(32,995)	12,991	11,442	386,262	521,246	5,802	527,048

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company												
	Share capital	Share premium	Treasury stock	Capital reserve	Special reserve	Share awards reserve	Translation reserve	Statutory reserve	Property revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018 (audited)	41,427	420,916	(6,563)	(22,681)	(295,411)	738	(38,233)	15,419	11,241	449,268	576,121	6,186	582,307
HKFRS 16 adjustment	-	-	-	-	-	-	-	-	-	1,793	1,793	-	1,793
At 1 January 2019 (adjusted)	41,427	420,916	(6,563)	(22,681)	(295,411)	738	(38,233)	15,419	11,241	451,061	577,914	6,186	584,100
Profit for the period	-	-	-	-	-	-	-	-	-	5,143	5,143	1,299	6,442
Revaluation increase on leasehold land and buildings	-	-	-	-	-	-	-	-	433	-	433	-	433
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	-	(58)	-	(58)	-	(58)
Share of other comprehensive expense of associates	-	-	-	-	-	-	(190)	-	-	-	(190)	-	(190)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	(56)	-	-	-	(56)	-	(56)
Exchange difference arising from foreign operations	-	-	-	-	-	-	(3,583)	-	-	-	(3,583)	(718)	(4,301)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(3,829)	-	375	5,143	1,689	581	2,270
Recognition of equity-settled share-based payment	-	-	-	-	-	5,088	-	-	-	-	5,088	-	5,088
Dividend declared to shareholders (Note 7)	-	-	-	-	-	-	-	-	-	(15,742)	(15,742)	-	(15,742)
Transfer to statutory reserve	-	-	-	-	-	-	-	704	-	(704)	-	-	-
At 30 June 2019 (unaudited)	41,427	420,916	(6,563)	(22,681)	(295,411)	5,826	(42,062)	16,123	11,616	439,758	568,949	6,767	575,716





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

*Notes:*

- (a) On 16 April 2018, the Group acquired additional 25% equity interest in OTX Logistics B.V. (“OTX Logistics Holland”) at a consideration amounting to HK\$38,000,000 from its non-controlling shareholder resulting in HK\$21,910,000 debit balance recognised in capital reserve. OTX Logistics Holland became an indirect wholly-owned subsidiary of the Group upon completion of the acquisition.
- (b) Special reserve comprises (i) the difference between the nominal amount of 500,000 shares of the Company amounting to HK\$50,000 as consideration in exchange for the paid up capital of On Time Worldwide Logistics Limited amounting to HK\$389,000 after elimination of share premium amounting to HK\$241,000 as part of the corporate reorganisation during the year ended 31 December 2013 and (ii) the difference between the aggregate net assets value of Citynet Logistics Worldwide Limited (“Citynet”), On Time Worldwide Logistics Limited (“OT WW HK”), On Time Shipping Line Limited (“OT SL HK”), On Union Management Limited (“On Union HK”) and On Time Express Limited (“OT HK”) amounting to HK\$316,029,000 and the aggregate share capital of Citynet, OT WW HK, OT SL HK, On Union HK and OT HK amounting to HK\$20,520,000 as at 31 March 2014 on which the Company acquired the entire equity interest in Citynet, OT WW HK, OT SL HK, On Union HK and OT HK by issue of 400,000 shares at HK\$0.1 each upon the corporate reorganisation.
- (c) The non-controlling interests at 1 January 2013 included the fair value of options classified as equity instruments amounting to HK\$705,000, which were related to the options granted to a group entity and a prior non-controlling shareholder of OTX Logistics Holland on disposal of 25% equity interest in OTX Logistics Holland in 2011. As the condition precedent the exercise of these options was not materialised upon the listing of the Company on 11 July 2014, the amount was reclassified to other reserve. The aforesaid options have been cancelled on 1 December 2017. During the year ended 31 December 2018, the amount was transferred to retained profits since OTX Logistics Holland became a wholly-owned subsidiary of the Company.
- (d) Statutory reserve represents general and development fund reserve required in accordance with the laws and regulations in the relevant jurisdictions including the People’s Republic of China (the “PRC”), the Netherlands and Thailand.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	8,754	47,519
Decrease (increase) in trade receivables	207,611	(2,222)
Other operating activities	(17,630)	11,844
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>198,735</b>	<b>57,141</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	738	334
Payment for intangible assets	(826)	(42)
Purchase of property, plant and equipment	(3,833)	(3,975)
Proceeds on disposal of property, plant and equipment	261	1,237
Proceeds from lease receivables	5,789	–
Advance to joint ventures	(934)	(249)
Advance to associates	(571)	(446)
Placement of pledged bank deposits	(21,595)	(5,886)
Withdrawal of pledged bank deposits	12	7,663
Payment for contingent considerations	(2,500)	(3,000)
Proceeds from loan receivable	7,554	–
Investment in loan receivable	(7,469)	(7,429)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(23,374)</b>	<b>(11,793)</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid	(3,953)	(3,415)
Advance from associates	536	292
Repayment to a joint venture	(175)	–
Repayment to a related company	(31)	–
Advance from a fellow subsidiary	110	–
Decrease in bank overdrafts	(1,236)	(129)
(Decrease) increase in factoring loans	(74,694)	12,284
New bank loans raised	182,020	240,052
Repayment of bank loans	(230,853)	(249,146)
Dividend paid to non-controlling interests of the subsidiary	–	(6,712)
Repayment of obligations under finance leases	–	(189)
Repayment of lease liabilities	(21,880)	–
Payment for acquisition of additional interests in a subsidiary	–	(38,000)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(150,156)</b>	<b>(44,963)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>25,205</b>	<b>385</b>
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD</b>	<b>240,733</b>	<b>248,201</b>
Effect of foreign exchange rate changes	(2,696)	(8,416)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>263,242</b>	<b>240,170</b>
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	263,242	240,170





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 1. BASIS OF PREPARATION

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 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

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 annual financial statements of YTO Express (International) Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) 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.

## **2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

### **Impacts and changes in accounting policies of application on 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.

#### *2.1 Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

###### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

###### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of land and buildings and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases”  
(Continued)**

*2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

*As a lessee (Continued)*

**Right-of-use assets**

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the period from commencement date to the end of estimated useful life of the underlying assets and the lease term.

The Group presents right-of-use assets as a separate line item on condensed consolidated statement of financial position.

**Leasehold land and building**

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

*2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

*As a lessee (Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option which is reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.







**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

*2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

*As a lessee (Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. The Group considers that the fair value adjustments are insignificant as at 1 January 2019.

## **2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

### **Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

#### *2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

##### *As a lessor*

##### Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the lease receivables.

Initial direct costs are included in the initial measurement of the lease receivables and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in lease receivables.





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases”  
(Continued)**

*2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

*As a lessor (Continued)*

Sublease (Continued)

At the commencement date, the lease payments included in the measurement of the lease receivables comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives payable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) any residual value guarantees provided to the Group by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently, the Group recognises interest income included in other income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group’s lease receivables. The Group aims to allocate interest income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross lease receivables to reduce both the principal and the unearned interest income.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

*2.2 Transition and summary of effects arising from initial application of HKFRS 16*

*Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. As at 1 January 2019 and during the six months ended 30 June 2019, there was no adjustment to right-of-use assets in relation to the fair value of refundable rental deposits paid as the Group considered that it is insignificant.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

2.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

*As a lessee (Continued)*

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee’s incremental borrowing rates applied by relevant group entities range from 3% to 8% per annum.

The carrying amount of lease liabilities as at 1 January 2019 comprises the following:

	NOTE	At 1 January 2019 HK\$’000
Operating lease commitments disclosed as at 31 December 2018		116,483
Operating lease commitments for new leases not yet commenced on 1 January 2019		(10,658)
		<u>105,825</u>
Lease liabilities discounted at relevant incremental borrowing rates		100,605
Add: Extension options reasonably certain to be exercised		1,542
Less: Recognition exemption – short-term leases		(9,199)
Recognition exemption – low-value assets		(121)
		<u>92,827</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		92,827
Add: Obligations under finance leases recognised at 31 December 2018	(a)	247
		<u>93,074</u>
Lease liabilities as at 1 January 2019		<u>93,074</u>
Analysed as		
Current		40,164
Non-current		52,910
		<u>93,074</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

2.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

*As a lessee (Continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	At 1 January 2019
NOTES	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	92,827
Derecognition of right-of-use assets under subleases classified as finance leases	(c) (26,646)
Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases	(a) 454
Less: Accrued lease liabilities at 1 January 2019	(b) (3,356)
	<u>63,279</u>
By class:	
Land and buildings	58,064
Office equipment	4,538
Motor vehicles	677
	<u>63,279</u>

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under leases as at 1 January 2019 amounting to HK\$454,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$173,000 and HK\$74,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

2.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

*As a lessee (Continued)*

- (b) Lease payments increase progressively over lease terms

These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities included in trade and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

*As a lessor*

In accordance with the transition provisions in HKFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. As at 1 January 2019 and during the six months ended 30 June 2019, there was no adjustment to advance lease payments from lessees in relation to the fair value of refundable rental deposits received as the Group considered that it is insignificant.

- (c) Upon application of HKFRS 16, right-of-use assets of HK\$26,646,000 were derecognised as the related subleases were classified as finance leases by reference to the right-of-use assets arising from the head leases. Lease receivables of HK\$11,680,000 and HK\$20,889,000 was recognised as current and non-current net investment in the subleases respectively and accrued lease assets of HK\$4,130,000 included in other receivables, deposits and prepayments were derecognised from the subleases. The difference of HK\$1,793,000 between recognition of lease receivables and derecognition of right-of-use assets and deferred rent assets was recognised in the opening retained profits.

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	NOTE	<b>Impact of Adopting HKFRS 16 at 1 January 2019</b>
		HK\$'000
Retained profits		449,268
Adjustment for subleases	(c)	1,793
Impact at 1 January 2019		<u>451,061</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases”  
(Continued)**

2.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

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.

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

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.







**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)**

2.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group’s condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement profit or loss, condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

		As reported	Adjustments	Amounts without application of HKFRS 16 as lessor
	NOTE	HK\$’000	HK\$’000	HK\$’000
<b>Non-current assets</b>				
Right-of-use assets	(d)	60,826	21,567	82,393
Lease receivables	(d)	14,701	(14,701)	–
<b>Current assets</b>				
Other receivables, deposits and prepayments	(d)	46,856	3,501	50,357
Lease receivables	(d)	12,009	(12,009)	–
<b>Capital and reserves</b>				
Reserves	(d)	<u>527,522</u>	<u>(1,642)</u>	<u>525,880</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases”  
(Continued)**

2.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

Impact on the condensed consolidated statement of profit and loss

		As reported	Adjustments	Amounts without application of HKFRS 16 as lessor
	NOTE	HK\$'000	HK\$'000	HK\$'000
Other income	(d)	6,048	5,170	11,218
Administrative expenses	(d)	(250,057)	(5,022)	(255,079)
<b>Profit before taxation</b>		<b>8,754</b>	<b>148</b>	<b>8,902</b>
<b>Profit for the period</b>		<b>6,442</b>	<b>148</b>	<b>6,590</b>
Basic earnings per share		1.25	0.03	1.28
Diluted earnings per share		1.24	0.03	1.27

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

		As reported	Adjustments	Amounts without application of HKFRS 16 as lessor
	NOTE	HK\$'000	HK\$'000	HK\$'000
<b>Profit for the period</b>		<b>6,442</b>	<b>148</b>	<b>6,590</b>
Exchange difference arising from foreign operations	(d)	(4,301)	3	(4,298)
<b>Total comprehensive income for the period</b>		<b>2,270</b>	<b>151</b>	<b>2,421</b>





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Impacts and changes in accounting policies of application on HKFRS 16 “Leases”  
(Continued)**

2.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

Impact on the condensed consolidated statement of cash flows

		As reported	Adjustments	Amounts without application of HKFRS 16 as lessor
	NOTE	HK\$'000	HK\$'000	HK\$'000
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	(d)	8,754	148	8,902
Other operating activities	(d)	(17,630)	6,094	(11,536)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>				
		<b>198,735</b>	<b>6,242</b>	<b>204,977</b>
<b>INVESTING ACTIVITIES</b>				
Interest received	(d)	1,192	(453)	739
Proceeds from lease receivables	(d)	5,789	(5,789)	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>				
		<b>(22,920)</b>	<b>(6,242)</b>	<b>(29,162)</b>

- (d) The above changes affected in the current period by the application of HKFRS 16 as compared to HKAS 17 are resulted from the opening adjustments described in note (c) made to the condensed consolidated statement of financial position at 1 January 2019 upon adoption of HKFRS 16. Without application of HKFRS 16 as lessor, depreciation on the right-of-use assets of HK\$5,022,000 included in administrative expenses has been charged and rental income of HK\$5,623,000 included in other income has been recognised. Upon application of HKFRS 16 as lessor, interest income of HK\$453,000 has been recognised. Exchange difference arising from foreign operations of HK\$3,000 is credited to translation reserve.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to the segments and to assess their performance.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on five (six months ended 30 June 2018: four) main operations. During the year ended 31 December 2018, the Group expanded the business in international express and parcel segment and it is considered as a new operating and reportable segment by the chief operating decision maker. The Group reorganised its internal reporting structure which resulted in changes to composition of its reportable segments. Included in segment revenue and segment results for the six months ended 30 June 2018 in air freight segment are revenue of HK\$72,719,000 and loss of HK\$1,111,000 being reallocated to international express and parcel segment respectively. Prior period segment disclosures have been represented to conform with the current period's presentation:

- Air freight: this segment is related to freight forwarding by air.
- Ocean freight: this segment is related to freight forwarding by seas.
- Logistics: this segment is related to provide warehousing services.
- International express and parcel: this segment is related to provision of time-define international express and parcel services.
- Others: this segment is related to freight forwarding by land and trucking services.





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**3. SEGMENT INFORMATION (CONTINUED)**

**a. Segment revenue and results**

	(Unaudited)		(Unaudited)	
	Segment revenue		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating and reportable segments				
Air freight ( <i>note i</i> )	1,054,506	1,386,060	79,352	108,496
Ocean freight ( <i>note i</i> )	379,816	393,024	65,941	62,033
Logistics ( <i>note ii</i> )	34,800	42,157	3,232	3,228
International express and parcel ( <i>note iii</i> )	274,383	72,719	18,956	(1,111)
Others ( <i>note iv</i> )	56,577	54,494	14,149	13,038
	<u>1,800,082</u>	<u>1,948,454</u>	181,630	185,684
Total				
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			(3,953)	(3,415)
Profit before taxation			<u>8,754</u>	<u>47,519</u>

*Notes:*

- (i) Revenue from freight services, including air freight and ocean freight, is recognised over time upon the performance obligation is satisfied.
- (ii) Revenue from logistic services is recognised over time for warehousing services.
- (iii) Revenue from international express and parcel services is recognised over time for time-define international express and parcel services.
- (iv) Other services is recognised over time for land and trucking services.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**3. SEGMENT INFORMATION (CONTINUED)**

**a. Segment revenue and results (Continued)**

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

**b. Segment assets and liabilities**

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

**c. Geographic information**

The revenue from external customers by geographical market based on the location of operations:

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
The PRC ( <i>note i</i> )	1,216,778	1,322,966
Europe ( <i>note ii</i> )	193,761	255,937
Northern America ( <i>note iii</i> )	189,197	172,519
Other Asian regions ( <i>note iv</i> )	200,346	197,032
	1,800,082	1,948,454

*Notes:*

- (i) Included in the PRC segment are revenue from Hong Kong amounting to HK\$841,748,000 (six months ended 30 June 2018: HK\$825,725,000).
- (ii) Included in Europe segment are revenue from the Netherlands amounting to HK\$174,135,000 (six months ended 30 June 2018: HK\$233,525,000).
- (iii) Included in Northern America segment are revenue from the United States of America amounting to HK\$164,866,000 (six months ended 30 June 2018: HK\$152,306,000).
- (iv) Other Asian regions comprised countries which generated revenue that is individually immaterial to the Group's revenue.





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**4. INCOME TAX EXPENSE**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	1,081	1,902
– Enterprise Income Tax in the PRC	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>2,312</u>	<u>8,312</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**4. INCOME TAX EXPENSE (CONTINUED)**

During both periods, under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 Group is taxed at 25% during both periods.

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 both periods.

The Corporate Income Tax in Vietnam is calculated at 20% of the estimated assessable profit. Additionally, being a small and medium enterprise, the Vietnamese subsidiary is entitled to a 30% reduction in Corporate Income Tax during both periods, in accordance with the Vietnamese laws.

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

Income tax expense in Canada comprises Federal Corporate Income Tax and Provincial Corporate Income tax at 15% and 11.5% respectively during both periods.

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.

**5. PROFIT FOR THE PERIOD**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<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*	5,033	5,996
Depreciation of right-of-use assets*	16,816	–
Amortisation of intangible assets*	2,653	2,759
Net exchange loss (gain)	470	(4,026)
	<hr/>	<hr/>

\* (included in administrative expenses)







**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**6. 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
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	5,143	38,024

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	412,070	414,270
Effect of dilutive potential ordinary shares on share award plan	1,440	N/A

Weighted average number of ordinary shares for the purpose of diluted earnings per share	413,510	414,270
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The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares purchased under Share Award Plan as defined and detailed in note 17.

**7. DIVIDEND**

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

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).



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**8. INVESTMENT PROPERTIES**

The fair values of the Group's investment properties as at the end of the current interim period have been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. There has been no change in fair values of investment properties for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$474,000).

The fair values of the Group's investment properties as at 30 June 2019 and 30 June 2018 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, and there were no transfers into or out of Level 3 during the six months ended 30 June 2019 and 30 June 2018.

**9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

During the six months ended 30 June 2019, the Group acquired property, plant and equipment for a consideration of HK\$3,833,000 (six months ended 30 June 2018: HK\$3,975,000).

During the six months ended 30 June 2019, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$599,000 (six months ended 30 June 2018: HK\$1,735,000) for cash proceeds of HK\$261,000 (six months ended 30 June 2018: HK\$1,237,000), resulting in a loss on disposal of HK\$338,000 (six months ended 30 June 2018: HK\$498,000).

The Group's leasehold land and buildings classified as property, plant and equipment were valued by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair values of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available. The resulting revaluation surplus of HK\$433,000 has been credited to the property revaluation reserve during the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$102,000).

The fair values of the Group's leasehold land and buildings as at 30 June 2019 and 30 June 2018 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, and there were no transfers into or out of Level 3 during the six months ended 30 June 2019 and 30 June 2018.

During the six months ended 30 June 2019, the Group entered into new lease agreements for the use of land and buildings and motor vehicles. The Group is required to make fixed monthly payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised right-of-use asset of HK\$15,184,000 and lease liability of HK\$15,184,000.





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**10. TRADE RECEIVABLES**

	(Unaudited) <b>30 June 2019</b> <i>HK\$'000</i>	(Audited) <b>31 December 2018</b> <i>HK\$'000</i>
Trade receivables	545,754	754,082
Less: allowance for credit losses	<u>(5,283)</u>	<u>(6,566)</u>
	<u>540,471</u>	<u>747,516</u>

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:

	(Unaudited) <b>30 June 2019</b> <i>HK\$'000</i>	(Audited) <b>31 December 2018</b> <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>

During the six months ended 30 June 2019, the Group provided impairment allowance of HK\$453,000 (six months ended 30 June 2018: HK\$1,630,000) and reversed impairment allowance of HK\$1,287,000 (six months ended 30 June 2018: HK\$5,606,000).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**11. 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:

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

**12. BANK BORROWINGS**

During the six months ended 30 June 2019, the Group obtained new bank borrowings amounting to HK\$182,020,000 (six months ended 30 June 2018: HK\$240,052,000) and repaid bank borrowings amounting to HK\$230,853,000 (six months ended 30 June 2018: HK\$249,146,000). The proceeds were used to finance the general working capital of the Group.

As at 30 June 2019, the loans carry interest at variable market rates ranging from 1.33% to 5.25% per annum (31 December 2018: 3.05% to 6.54% per annum). As at 30 June 2019, bank loans of HK\$62,861,000 (31 December 2018: HK\$111,694,000) are with a repayment on demand clause, and remaining loans of HK\$1,417,000 (31 December 2018: HK\$77,347,000) are repayable on demand representing bank overdrafts and factoring loans of HK\$593,000 and HK\$824,000 respectively (31 December 2018: HK\$1,829,000 and HK\$75,518,000 respectively).





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**13. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Share capital HK\$'000</b>
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>

**14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**

	(Unaudited)		(Audited)		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input
	Fair value as at						
	30 June 2019	31 December 2018	30 June 2019	31 December 2018			
HK\$'000	HK\$'000	HK\$'000	HK\$'000				
<b>Financial asset</b>							
Investment fund classified as fair value through profit or loss	945	901	Level 1	Quoted market bid price	N/A		
<b>Financial liability</b>							
Contingent considerations of business combinations classified as financial liabilities at fair value through profit or loss	2,247	4,747	Level 3	Discounted cash flow	Discount rate of 7.73 percent (2018: 7.73 percent). Probability-adjusted revenues and profits, with a range from HK\$120,000,000 to HK\$235,000,000 and a range from HK\$691,000 to HK\$2,307,000 in 2019 respectively (2018: with a range from HK\$187,000,000 to HK\$254,691,000 and a range from HK\$52,000 to HK\$2,036,000 in 2019 respectively)(Note)		

*Note:* A slight increase in the probability adjusted revenue in isolation would result in a significant increase in the fair value and vice versa. A slight increase in discount rate in isolation would result in a significant decrease in the fair value and vice versa.

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

**Reconciliation of level 3 fair value measurements of financial liability**

	<b>Contingent considerations of business combinations</b> HK\$'000
At 1 January 2019	4,747
Settlements	<u>2,500</u>
At 30 June 2019	<u>2,247</u>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

**14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**

There is no transfer between different fair value hierarchy during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

**15. RELATED PARTY TRANSACTIONS AND BALANCES**

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 June 2019, the Group had significant transactions with related parties as follows:

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(i) Associates</b>		
– Freight income received	1,496	1,589
– Freight charge paid	14,163	27,232
– Management fee income	1,126	1,240
– Loan interest income	13	13
	<u>          </u>	<u>          </u>
<b>(ii) Joint ventures</b>		
– Freight income received	10,037	14,803
– Freight charge paid	1,176	1,411
	<u>          </u>	<u>          </u>
<b>(iii) Related companies with common directors</b>		
On Good Development Limited		
– Rental expenses	870	870
	<u>          </u>	<u>          </u>
<b>(iv) Fellow subsidiaries</b>		
– Freight income received	5,800	1,997
– Freight charge paid	39,729	210
– International express and parcel express charge paid	1,336	–
– Trademark and domain fee paid	3	3
	<u>          </u>	<u>          </u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

At the end of the reporting period, the Group had balances with related parties as follows:

		(Unaudited) 30 June 2019 HK\$'000	(Audited) 31 December 2018 HK\$'000
	<i>NOTES</i>		
<b>(i) Associates</b>			
– Trade receivables	<i>a</i>	2,168	2,600
– Other receivables	<i>c</i>	9,266	10,040
– Trade payables	<i>b</i>	501	5,830
– Other payables	<i>c</i>	536	–
		<u>          </u>	<u>          </u>
<b>(ii) Joint ventures</b>			
– Trade receivables	<i>d</i>	8,590	3,542
– Other receivables	<i>c</i>	934	–
– Other payables	<i>c</i>	–	175
		<u>          </u>	<u>          </u>
<b>(iii) Fellow subsidiaries</b>			
– Trade receivable	<i>e</i>	10	–
– Trade payables	<i>f</i>	1,158	23,272
– Other payables	<i>c</i>	110	–
		<u>          </u>	<u>          </u>
<b>(iv) Immediate holding company</b>			
– Other receivable	<i>c</i>	1,245	1,245
		<u>          </u>	<u>          </u>
<b>(v) Related companies</b>			
– Trade receivable	<i>g</i>	–	243
– Other payable	<i>c</i>	–	31
		<u>          </u>	<u>          </u>

*Notes:*

- (a) The followings are the aging information of trade balances due from associates, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited) 30 June 2019 HK\$'000	(Audited) 31 December 2018 HK\$'000
0 – 30 days	158	38
31 – 60 days	187	107
61 – 90 days	21	–
91 – 180 days	110	1
Over 180 days	1,692	2,454
	<u>          </u>	<u>          </u>
	2,168	2,600
	<u>          </u>	<u>          </u>





**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

*Notes: (Continued)*

- (b) The followings are the aging information of trade balances due to associates, based on the invoice date, at the end of the 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>
0 – 30 days	296	3,495
31 – 60 days	45	2,049
61 – 90 days	28	25
91 – 180 days	117	195
Over 180 days	15	66
	<u>501</u>	<u>5,830</u>

- (c) The amounts are non-interest bearing, unsecured and repayable on demand.

- (d) The following is an aged analysis of trade balances due from joint ventures, based on the invoice date which approximates the respective revenue recognition date, at the end of the 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>
0 – 30 days	1,470	2,494
31 – 60 days	1,135	868
61 – 90 days	1,148	170
91 – 180 days	4,675	–
Over 180 days	162	10
	<u>8,590</u>	<u>3,542</u>

- (e) The following is an aged analysis of trade balances due from fellow subsidiaries, based on the invoice date which approximates the respective revenue recognition date, at the end of the 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>
0 – 30 days	4	–
31 – 60 days	6	–
	<u>10</u>	<u>–</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

*Notes: (Continued)*

- (f) The followings are the aging information of trade balances due to fellow subsidiaries, based on the invoice date which approximates the respective revenue recognition date, at the end of the 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>
0 – 30 days	1,158	23,213
91 – 180 days	–	56
Over 180 days	–	3
	<u>1,158</u>	<u>23,272</u>

- (g) The amount was unsecured, interest-free and due within 30 days as at 31 December 2018.

**16. PLEDGED ASSETS**

The following assets were pledged to secure certain banking facilities representing guarantees on payment to certain airline suppliers of the Group for the Group's cargo space purchase and bank borrowings granted to the Group at the end of the 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>
Trade receivables	969	88,845
Financial asset at fair value through profit or loss	945	901
Loan receivable	7,509	7,522
Pledged bank deposits	<u>28,971</u>	<u>7,548</u>
	<u>38,394</u>	<u>104,816</u>





## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

### **17. SHARE-BASED PAYMENT TRANSACTIONS**

#### **Share Award Plan**

A share award plan was adopted on 17 August 2018 (the “Share Award Plan”). The Share Award Plan is to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The awarded shares will be subscribed for and/or purchased by an independent trustee (the “Trustee”) from the open market by utilising the funds to be allocated by the directors of the Company out of the Company’s resources. The maximum number of awarded shares to be subscribed for and/or purchased by the Trustee for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued shares as at the beginning of such financial year.

The Share Award Plan shall be valid and effective for a period of 10 years commencing from 17 August 2018 but may be terminated earlier as determined by the board.

During the year ended 31 December 2018, based on the Company’s instructions, the Trustee has purchased and held a total of 2,200,000 ordinary shares of the Company on the Stock Exchange at prices ranging from HK\$2.34 to HK\$3.35 per share at a total consideration (including related transaction costs) of HK\$6,563,000 until fulfillment of specified conditions before vesting. No further shares were purchased on the Stock Exchange during the six months ended 30 June 2019.

The Company granted 10,400,000 shares to 42 selected participants on 31 August 2018, which will be vested 30%, 30% and 40% on every anniversary date of the grant date. 3 selected participants did not accept the award shares granted pursuant to the award. As such an aggregate of 9,400,000 award shares were granted and accepted by the selected participants.

During the six months ended 30 June 2019, the Group recognised the total expense of HK\$5,088,000 (six months ended 30 June 2018: nil) in relation to share awards granted by the Company based on the number of share awards granted expected to vest. At the end of the reporting period, the Group revises its estimates of the number of share awards that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share awards reserve.