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If you have sold or transferred all your shares in YTO Express (International) Holdings Limited (the "Company"), you should at once hand this circular to the purchaser or transferee, or to the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6123)

CONTINUING CONNECTED TRANSACTIONS

**INCREASE OF PROPOSED ANNUAL CAPS UNDER
MASTER SERVICE AGREEMENT,
MASTER CHARTER AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 53 of this circular.

A notice convening the EGM of YTO Express (International) Holdings Limited to be held at Victoria Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 27 November 2019 at 2:30 p.m. is set out on pages 59 to 61 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytoglobal.com). Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the holding of the EGM (i.e. not later than 2:30 p.m. on Monday, 25 November 2019) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

References to time and dates in this circular are to Hong Kong time and dates.

29 October 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the meanings ascribed to them below:

“Adjusted Master Service Agreement Annual Caps”	the increased annual caps as proposed for the transactions contemplated under the Master Service Agreement for each of the three years ending 31 December 2021 as set out in the section headed “Letter from the Board — (A) Increase of Proposed Annual Caps under Master Service Agreement — Revision of Annual Caps” of this circular
“Announcement”	the announcement of the Company dated 23 August 2019 in relation to, among others, the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cargo Terminal Expenses”	as defined in the section headed “Letter from the Board — (B) Master Charter Agreement” of this circular
“Charter and Related Fees”	the charter fee and other charter related fees (including but not limited to fuel surcharge and deicing fee) for each of the countries and regions around the world
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	YTO Express (International) Holdings Limited 圓通速遞(國際)控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company

DEFINITIONS

“Effective Date”	date of approval by the Independent Shareholders of the transactions contemplated under the Master Charter Agreement and the related annual caps at the EGM
“EGM”	the extraordinary general meeting of the Company to be held at Victoria Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 27 November 2019 at 2:30 p.m. to consider, and if thought fit, to approve the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps
“Independent Shareholders”	the Shareholders other than YTO Global Holdings Limited and its associates, and all other Shareholders materially interested in the Master Service Agreement and the related Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps, who are not required to abstain from voting at the EGM
“Independent Third Party(ies)”	third party or parties and who and whose ultimate beneficial owner(s) are independent of the Company and its connected persons of the Company

DEFINITIONS

“Latest Practicable Date”	22 October 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Charter Agreement”	the agreement dated 23 August 2019 and entered into between the Company (for itself and on behalf of other members of the Group) and YTO Cargo pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes
“Master Service Agreement”	the agreement dated 24 April 2019 and entered into between the Company and Yuantong where (i) the Company has appointed Yuantong Members as the Group’s agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members’ agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services
“Master Service Agreement Annual Caps”	the annual caps for the transactions contemplated under the Master Service Agreement for each of the three years ending 31 December 2021 as set out in the announcement of the Company dated 24 April 2019
“Mr. Yu”	Mr. Yu Huijiao, a non-executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China, excluding for the purposes of this circular only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“YTO Cargo”	YTO Cargo Airlines Co., Ltd.* 杭州圓通貨運航空有限公司, a company established in the PRC and a wholly owned subsidiary of Yuantong
“Yuan Jun”	Shanghai Yuan Jun International Trading Company Limited* 上海圓鈞國際貿易有限公司, a company established in the PRC and a wholly-owned subsidiary of Yuantong, and a controlling Shareholder
“Yuantong”	YTO Express Group Co., Ltd. 圓通速遞股份有限公司, a joint stock limited liability company established in the PRC and a controlling shareholder of the Company
“Yuantong Jiaolong”	Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.* 上海圓通蛟龍投資發展(集團)有限公司, a company established in the PRC and a controlling shareholder of the Company
“Yuantong Members”	Yuantong and its subsidiaries and associated companies excluding the Group
“%”	per cent.

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

LETTER FROM THE BOARD



YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED

圓通速遞(國際)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6123)

Executive Directors:

Mr. Li Xianjun

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

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

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business:*

Unit 18, 1st Floor

Sino Industrial Plaza

9 Kai Cheung Road

Kowloon Bay

Hong Kong

29 October 2019

To the Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INCREASE OF PROPOSED ANNUAL CAPS UNDER MASTER SERVICE AGREEMENT AND MASTER CHARTER AGREEMENT

INTRODUCTION

Reference is made to the Announcement. As disclosed in the Announcement, due to the increase in the provision of international express and parcel services and air and ocean freight services by the Group and Yuantong Members, the Board proposes to increase the Master Service Agreement Annual Caps to the Adjusted Master Service Agreement Annual Caps and to seek the approval of the Independent Shareholders for the Adjusted Master Service Agreement Annual Caps. Furthermore, the Company (for itself and on behalf of other members of the Group) has entered into the Master Charter Agreement

LETTER FROM THE BOARD

with YTO Cargo, pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.

The main purpose of this circular is to provide you with, among other things, (i) further information regarding the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement; (ii) to set out the opinions and recommendations of the Independent Board Committee and the Independent Financial Adviser in respect of the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps; and (iii) a notice of the EGM to the Shareholders.

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

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

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

Major terms of the Master Service Agreement

Date: 24 April 2019

Parties: (i) The Company
(ii) Yuantong

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

LETTER FROM THE BOARD

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

Pricing policy:

(a) *Fees charged by the Group*

- (i) in respect of the provision of international express and parcel services, the service fees charged by the Group will be calculated on a cost plus 4.5%; and
- (ii) in respect of the provision of air and ocean freight services, the service fees charged by the Group will be calculated on a cost plus 4.5%.

(b) *Fees charged by Yuantong*

- (i) in respect of the provision of international express and parcel services, the service fees charged by Yuantong will be calculated on a cost plus 4.5%; and
- (ii) in respect of the provision of air and ocean freight services, the service fees charged by Yuantong will be calculated on a cost plus 4.5%.

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

LETTER FROM THE BOARD

Revision of annual caps

Original annual caps

The original annual caps under the Master Service Agreement for the years indicated below are as follows:

		For the year ending 31 December		
		2019	2020	2021
(i)	In respect of international express and parcel services and air and ocean freight services fees to be paid by the Group to Yuantong Members	HK\$42.0 million	HK\$49.6 million	HK\$58.5 million
(ii)	In respect of international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members	HK\$8.7 million	HK\$10.3 million	HK\$12.1 million

Historical transaction figures

The historical actual transaction amounts under the Master Service Agreement for the year/period indicated below are as follows:

		For the year ended 31 December 2018 (approximate)	For the nine months ended 30 September 2019 (approximate)
(i)	In respect of international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members	HK\$35.6 million	HK\$41.2 million
(ii)	In respect of international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members	HK\$7.4 million	HK\$5.8 million

LETTER FROM THE BOARD

The expected transaction amount under the Master Service Agreement from 1 January 2019 and up to the date of EGM in respect of (i) international express and parcel services and air and/or ocean freight services fees to be paid by the Group to Yuantong Members will be approximately HK\$41.5 million; and (ii) international express and parcel services and air and/or ocean freight services income to be received by the Group from Yuantong Members will be approximately HK\$6.5 million.

Revised annual caps and basis

The Company proposes to increase the Master Service Agreement Annual Caps for the years indicated below as follows (collectively, the “**Adjusted Master Service Agreement Annual Caps**”):

		For the year ending 31 December		
		2019	2020	2021
(i)	In respect of international express and parcel services and air and ocean freight services fees to be paid by the Group to Yuantong Members	HK\$88.8 million	HK\$257.5 million	HK\$386.3 million
(ii)	In respect of international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members	HK\$114.3 million	HK\$342.9 million	HK\$481.0 million

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

- (i) the historical actual amount of international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members for the year ended 31 December 2018 and the nine months ended 30 September 2019;
- (ii) the expected demand by the Group of international express and parcel service and air and ocean freight services from/to overseas, including Asian countries and North America region, to/from the PRC;
- (iii) the expected growth of approximately 180% and 40% in demand of international express and parcel services and air and ocean freight services of the Group for the years ending 31 December 2020 and 2021, respectively. Such expected growth in demand for the years ending 31 December 2020 and 2021 is mainly attributable to (a) the Group has recorded notable growth of international express and parcel services and air and/or ocean freight services fees for the nine months ended 30 September 2019 of approximately HK\$41.2 million compared with the year ended 31 December 2018 of approximately HK\$35.6 million and such growth is expected to continue for the remaining period in 2019, while the annual caps for the years ending 2020 and 2021 are for the entire 12 months for the respective years. Furthermore, certain services provided by Yuantong Members to the Group had to be scaled back and temporarily ceased as at the Latest Practicable Date to ensure that the Group does not exceed the original annual cap for the year ending 31 December 2019 and such services shall resume to its normal level and demand for these services will be allowed to grow normally without the original constraints imposed after the Independent Shareholders' approval having been obtained at the EGM; and (b) the expected growth in demand of the express delivery services and express delivery with parcel collection services for the years ending 31 December 2020 and 2021 from/to overseas regions, including Asian countries and the North America region. In this connection, the demand of majority of the express delivery services in the PRC and the express delivery with parcel collection services in the PRC, are expected to be attributable to logistics and ancillary services from, among others, (i) PRC local logistics services, including but not limited to cities such as Shanghai and Shenzhen for local transportation, storage and other logistic operations; (ii) international logistic services route between cities in (aa) the PRC and Taiwan; (bb) the PRC and Singapore; (cc) the PRC and South Korea; and (dd) the PRC and the United States; and (iii) logistics agency related services. As certain of the mentioned international logistic services routes are relatively new or to be introduced during the years ending 31 December 2020 and 2021, the expected growth in demand for the years ending 31 December 2020 and 2021 are expected to be significant; and

LETTER FROM THE BOARD

- (iv) a 10% buffer to cater for the unanticipated increase in each of the fees to be paid by the Group under the Master Service Agreement.

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

- (i) the historical actual amount of international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the year ended 31 December 2018 and the nine months ended 30 September 2019;
- (ii) in respect of the year ending 31 December 2019, the assumption of the proposed acquisition by the Company of the entire issued share capital in a wholly owned subsidiary of Yuantong (“**Target Company**”), after the EGM. The Target Company is a company incorporated in Hong Kong which has been providing international express and parcel services and air and ocean freight services to Yuantong Members. As Yuantong would like to focus its resources within the PRC, it intends to transfer the Target Company to the Company. As a result of the proposed acquisition, the Group expected that the Target Company will substantially contribute to the international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members under the Master Service Agreement. The historical actual transaction amounts in respect of international express and parcel services and air and ocean freight services income received by the Target Company from Yuantong Members for the year ended 31 December 2018 and the nine months ended 30 September 2019 was approximately HK\$5.9 million and HK\$5.7 million, respectively;
- (iii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;
- (iv) the expected growth of approximately 190% and 30% in demand of international express and parcel services and air and ocean freight services of Yuantong Members for the years ending 31 December 2020 and 2021, respectively; and
- (v) a 10% buffer to cater for the unanticipated increase in each of the income to be received by the Group under the Master Service Agreement.

LETTER FROM THE BOARD

Internal control measures

The Group adopted the following internal control measures to ensure the transaction amount under the Master Service Agreement will not exceed the original annual caps before the Independent Shareholders approve the Adjusted Master Service Agreement Annual Caps:

- (i) in respect of the transactions under international express and parcel services and air and/or ocean freight services to be provided by Yuantong Members to the Group, the Company noted that the transaction amount for the nine months ended 30 September 2019 and the expected transaction amount prior to the date of EGM (“**Expected Transactions**”) is close to the original annual caps set. As such, save for the Expected Transactions to be conducted, the Group will temporarily halt all other future transactions in respect of international express and parcel services and air and/or ocean freight services to be provided by Yuantong Members to the Group under the Master Service Agreement until Independent Shareholders approve the related Adjusted Master Service Agreement Annual Caps at the EGM; and
- (ii) in respect of the transactions under international express and parcel services and air and/or ocean freight services to be provided by the Group to Yuantong Members, the Group will closely monitor relevant transaction information on a monthly basis to ensure the transaction amounts will not exceed the relevant original annual caps prior to the EGM. If the actual transaction amount prior to the EGM has reach a limit which is very close to the original annual caps set, the Group will temporary halt all other future transactions in respect of international express and parcel services and air and/or ocean freight services to be provided by the Group to Yuantong Members under the Master Service Agreement until Independent Shareholders approve the related Adjusted Master Service Agreement Annual Caps at the EGM.

By implementing the above internal control measures, the Directors consider that the original annual cap for the Master Service Agreement would not be exceeded before the Independent Shareholders approve the Adjusted Master Service Agreement Annual Caps at the EGM.

(B) MASTER CHARTER AGREEMENT

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

LETTER FROM THE BOARD

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

- Date:** 23 August 2019
- Parties:**
- (i) The Company (for itself and on behalf of other members of the Group)
 - (ii) YTO Cargo
- Principal terms:** Under the Master Charter Agreement, YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.
- Pricing Policy:** The Charter and Related Fees shall be determined by the parties at the time of placing the order with reference to the Charter and Related Fees charged by Independent Third Party freight services providers of comparable services. The Group will obtain quotation from at least one (or such other number as shall be determined by the majority of the independent non-executive Directors from time to time) Independent Third Party freight services providers and compare it with the terms offered by YTO Cargo for the provision of air freight charter services. The Group will also compare the track record and reputation of such Independent Third Party freight services provider against YTO Cargo's track record and reputation. The Charter and Related Fees shall be determined by using the lower of (i) the Charter and Related Fees offered by YTO Cargo; and (ii) quotation from Independent Third Party freight services providers of comparable services.
- All expenses related to cargo terminal operations ("**Cargo Terminal Expenses**") at departure and destination airport are to be paid by the Group, and in the event that the relevant cargo terminal requested such expenses to be directly settled by YTO Cargo, YTO Cargo will settle such amount on behalf of the Group and the Group will fully reimburse YTO Cargo for such expenses and pay a handling fee, which is equivalent to 5% of the Cargo Terminal Expenses to YTO Cargo.

LETTER FROM THE BOARD

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

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

Proposed annual caps of the Master Charter Agreement

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

Basis of the proposed annual caps

The Directors estimated that the annual caps under the Master Charter Agreement for the years indicated below are as follows:

	For the year ending 31 December		
	2019 <i>(Note)</i>	2020	2021
Charter and Related Fees, the Cargo Terminal Expenses (which may be payable by YTO Cargo to the relevant cargo terminal on behalf of the Group) and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to YTO Cargo	HK\$15.0 million	HK\$428.9 million	HK\$643.4 million

Note: The annual cap for the year ending 31 December 2019 only took into consideration the transactions expected to take place after the EGM and up to 31 December 2019.

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

- (i) the expected demand of air freight chartering services to and from countries and regions around the world by the Group during the years ending 31 December 2019 and 2020;
- (ii) the expected growth of approximately 3,800% and 40% in demand of air freight chartering services to and from countries and regions around the world by the Group (calculated based on the expected increase in number of flights required by the Group) for the years ending

LETTER FROM THE BOARD

31 December 2020 and 2021. Such expected growth in demand for the years ending 31 December 2020 and 2021 is mainly attributable to (a) the annual cap for the year ending 31 December 2019 only took into consideration the transactions expected to take place after the EGM and up to 31 December 2019, while the annual caps for the years ending 2020 and 2021 are for the entire 12 months for the respective years; and (b) the expected increase in new routings of charter flights for the years ending 31 December 2020 and 2021, from an aggregate of only two destinations for the year ending 31 December 2019 to an aggregate of four and seven destinations for the years ending 31 December 2020 and 2021, respectively. The additional two and three new routings in 2020 and 2021, respectively, are expected to account for approximately 29.9% and 33.3% of the estimated annual caps under the Master Charter Agreement for the years ending 31 December 2020 and 2021, respectively. As the new routings are to be introduced during the years ending 31 December 2020 and 2021, the expected growth in demand for the years ending 31 December 2020 and 2021 are expected to be significant; and

- (iii) the 13% buffer to cater for the unanticipated increase in Charter and Related Fees, Cargo Terminal Expenses and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to YTO Cargo under the Master Charter Agreement.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Adjusted Master Service Agreement Annual Caps

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

LETTER FROM THE BOARD

Master Charter Agreement

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

INFORMATION ON THE GROUP, YUANTONG AND YTO CARGO

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

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

YTO Cargo is a company established in the PRC and a wholly owned subsidiary of Yuantong. YTO Cargo is principally engaged in air cargo transportation and as freight forwarding agent.

RELATIONSHIPS AND IMPLICATIONS UNDER THE LISTING RULES

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

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

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

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

LETTER FROM THE BOARD

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

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

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

EGM

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

As at the Latest Practicable Date, YTO Global Holdings Limited, and its associates will be required to abstain from voting on the resolutions relating to the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement at the EGM. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions. As at the Latest Practicable Date, YTO Global Holdings Limited held 268,229,408 Shares (representing approximately 64.36% of the total issued Shares).

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytglobal.com). Whether or not you are able to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM (i.e. not later than 2:30 p.m. on Monday, 25 November 2019) or the

LETTER FROM THE BOARD

adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish and in such event, your proxy form shall be deemed to be revoked.

VOTING BY POLL AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Master Service Agreement are entered into in the ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the Adjusted Master Service Agreement Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Adjusted Master Service Agreement Annual Caps.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Master Charter Agreement has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the Master Charter Agreement and the proposed annual caps are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular, which contains its recommendation to the Independent Shareholders as to the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps; and (ii) the letter from the Independent Financial Adviser set out on pages 22 to 53 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps and reasons considered by it in arriving at its opinion.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22 November 2019 to Wednesday, 27 November 2019 (both days inclusive) for the purpose of determining the right to attend and vote at the EGM. In order to be qualified for attending and voting at the EGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 21 November 2019.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
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



YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED

圓通速遞(國際)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6123)

29 October 2019

To the Independent Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

**INCREASE OF PROPOSED ANNUAL CAPS UNDER
MASTER SERVICE AGREEMENT
AND
MASTER CHARTER AGREEMENT**

We refer to the circular dated 29 October 2019 (the “Circular”) issued by the Company to its Shareholders of which this letter forms part. Unless the context requires otherwise, the capitalised terms used herein shall have the same meanings as defined in the Circular.

We understand that as Yuantong and YTO Cargo are connected persons of the Company, the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules and shall be subject to the approval by the Independent Shareholders.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Red Sun Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Further information of its advice is set out on pages 22 to 53 of the Circular. Your attention is also drawn to the letter from the Board set forth on pages 5 to 19 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice and recommendation of the Independent Financial Adviser, we are of the opinion that the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Li Donghui

Mr. Xu Junmin

Mr. Chung Kwok Mo John

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in connection with the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and the related annual caps for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

29 October 2019

To: *The Independent Board Committee and the Independent Shareholders of
YTO Express (International) Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

(1) INCREASE OF PROPOSED ANNUAL CAPS UNDER MASTER SERVICE AGREEMENT AND (2) MASTER CHARTER AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser in respect of the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement to advise the Independent Board Committee and the Independent Shareholders on the terms of the Adjusted Master Service Agreement Annual Caps and the terms of the Master Charter Agreement and the proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 29 October 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, (i) due to the increase in the provision of international express and parcel services and air and ocean freight services by the Group and Yuantong Members, the Board proposes to increase the Master Service Agreement Annual Caps to the Adjusted Master Service Agreement Annual Caps; and (ii) the Company (for itself and on behalf of other members of the Group) has entered into the Master Charter Agreement with YTO Cargo, pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for a term commencing from the Effective Date to 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

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

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on, among other things, whether the Adjusted Master Service Agreement Annual Caps and the terms and the proposed annual caps for the three years ending 31 December 2021 for the Master Charter Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, YTO Global Holdings Limited, and its associates will be required to abstain from voting on the resolutions relating to the Adjusted Master Service Agreement Annual Caps and the transactions contemplated, and the proposed annual caps under, the Master Charter Agreement at the EGM. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions. As at the Latest Practicable Date, YTO Global Holdings Limited held 268,229,408 Shares (representing approximately 64.36% of the total issued Shares).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders for the purpose of advising the Independent Board Committee and the Independent Shareholders whether the Adjusted Master Service Agreement Annual Caps and the terms and the proposed annual caps for the three years ending 31 December 2021 for the Master Charter Agreement (together the “**Continuing Connected Transactions and Proposed Annual Caps**”) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. In the previous two years, save for our appointment as the independent financial adviser for (i) a connected transaction in relation to the proposed issue of new shares under the share award plan to connected persons pursuant to specific mandate, the circular of which was dated 1 February 2019; and (ii) a discloseable and connected transaction in relation to the acquisition of the remaining 25% equity interest in the issued shares of OTX Logistics B.V., the circular of which was dated 3 April 2018, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any transaction. Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management (for which they are solely and wholly responsible), were true and accurate at the time they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, for the purpose of this exercise, conducted any independent verification, investigation or audit into the information provided by the Directors and the Management, background of Mr. Yu, business or affairs or future prospects of the Company, Yuantong Members and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions and Proposed Annual Caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

1.1. *Background information of the Group*

As set out in the annual report of the Group for the year ended 31 December 2018 (the “**2018 Annual Report**”), 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 enables the Group to meet diverse customers’ needs and provide cross-selling opportunities.

Based on the segmental reporting information as set out in the 2018 Annual Report, the Group has derived revenue primarily from its air freight and ocean freight segments, being the two largest segments by revenue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2. Historical financial performance of the Group

Set out below is a summary of the Group's operating results by geographical locations and operating segments, extracted from the 2018 Annual Report, being the latest published annual report of the Company for the year ended 31 December 2018, and the interim report of the Group for the six months ended 30 June 2019 dated 19 August 2019 (the "2019 Interim Report"):

Summary of the Group's revenue by geographical information:

	For the six months ended		For the year ended	
	30 June		31 December	
	2019	2018	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue by geographic location				
– The PRC	1,216,778	1,322,966	3,070,373	2,323,264
– Europe	193,761	255,937	570,703	502,820
– Northern America	189,197	172,519	409,664	399,861
– Other Asian regions	200,346	197,032	412,063	444,569
Total	1,800,082	1,948,454	4,462,803	3,670,514
Revenue by operating segment				
– Air freight	1,054,506	1,386,060	3,129,295	2,458,171
– Ocean freight	379,816	393,024	856,969	923,561
– Logistics	34,800	42,157	76,768	89,351
– International express and parcel	274,383	72,719	282,094	103,451
– Others	56,577	54,494	117,677	95,980
Total	1,800,082	1,948,454	4,462,803	3,670,514

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2019 (“1H2019”) and 30 June 2018 (“1H2018”)

The Group’s revenue amounted to approximately HK\$1,948.5 million and HK\$1,800.1 million for 1H2018 and 1H2019, respectively. Air freight was the largest operating segment by revenue, which contributed approximately HK\$1,054.5 million, represented approximately 58.6% of the Group’s total revenue for 1H2019, compared approximately HK\$1,386.1 million, represented approximately 71.1% of the Group’s total revenue for 1H2018. The aforesaid decrease was primarily attributable to the trade war between the PRC and the United States of America (the “U.S.”) and the global macroeconomic uncertainties and drop in demand for air freight services from the customers.

The remaining revenue was derived from ocean freight, logistics, international express and parcel, and others, which amounted to approximately HK\$562.4 million and HK\$745.6 million for 1H2018 and 1H2019, respectively. Such increase was mainly attributable to 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 approximately HK\$72.7 million in 1H2018 to approximately HK\$274.4 million in 1H2019, representing an increase of approximately 277.3%.

For the years ended 31 December 2018 (“FY2018”) and 31 December 2017 (“FY2017”)

The Group’s revenue increased notably from approximately HK\$3,670.5 million for FY2017 to approximately HK\$4,462.8 million for FY2018. For FY2018, the PRC was the largest geographical segment by revenue, which contributed approximately HK\$3,070.4 million, represented approximately 68.8% of the Group’s total revenue, compared to FY2017, whereby the PRC contributed approximately HK\$2,323.3 million, represented approximately 63.3% of the Group’s total revenue. The aforesaid increase was primarily attributable to the increase in demand for air freight services from the customers in the air freight segment.

The remaining revenue was contributed by Europe, North America and other Asian regions which amounted to approximately HK\$1,347.2 million and HK\$1,392.4 million for FY2017 and FY2018, respectively, which remained largely stable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that air freight was the largest operating segment by revenue, which contributed approximately HK\$3,129.3 million, represented approximately 70.1% of the Group's total revenue for FY2018, compared approximately HK\$2,458.2 million, represented approximately 67.0% of the Group's total revenue for FY2017. The aforesaid increase was primarily attributable to the increase in demand for air freight services from the customers in the air freight segment.

The remaining revenue was derived from ocean freight, logistics, international express and parcel, and others, which amounted to approximately HK\$1,212.3 million and HK\$1,333.5 million for FY2017 and FY2018, respectively. Such increase was mainly attributable to benefiting from the rapid development of e-commerce in Southeast Asia, the continuous deepening of the cooperation with Cainiao and the development of new customers, revenue from international express and parcel services increased from approximately HK\$103.5 million during the FY2017 to approximately HK\$282.1 million during the FY2018, representing an increase of approximately 172.7%.

2. Overview of macro-economy and logistics industry

2.1 Overview of macro-economy

The logistics industry is dependent on global trade, including international import and export activities, which are in turn affected by the global economy. In accordance with The U.S. Federal Reserve, the benchmark interest rate in the U.S. shall remain at a relatively low level in the near future, such should be favourable to the general economy as a whole. However, the ongoing trade negotiations between the PRC and the U.S. is likely to create uncertainties to the outlook of global economy which could in turn affect consumer sentiments and preferences as well as international trade activities.

According to a report published by the World Bank in June 2019 titled "Global Economic Prospects: Heightened Tensions, Subdued Investment", it is estimated that the global growth rate to be approximately 2.6% for 2019 as compared to approximately 3.1% for 2018 attributable to international trade and investment activities. Further, we also noted that pursuant to the Thirteenth Five Year Plan* (十三五規劃), the annual gross domestic product (the "GDP") growth of the PRC for the next five years from 2016 has been estimated to be approximately 6.5%. Although such target was subsequently adjusted down to 6.0% by the PRC government in March 2019, the revised target GDP growth rate is still notably higher than that of the global growth rate estimated by the World Bank.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 Overview of international logistics industry

Based on a publication by the International Air Transport Association (“IATA”), being the trade association for the world’s airlines¹, titled “Annual Review 2019” (the “IATA Report”) (<https://www.iata.org/publications/Documents/iata-annual-review-2019.pdf>), we noted that air freight, in terms of freight tonne kilometers, increased approximately 3.4% in 2018, which was largely in line with global trade volumes. We also noted from the IATA Report that world trade was affected by the heightened trade tensions between the PRC and the U.S., but not all air freight sectors were equally affected, in particular, e-commerce and pharmaceutical sectors continued to perform strongly.

The IATA Report also sets out that analysis on the 2018 air cargo market share, which was primarily attributable to three regions, namely (i) the Asia-Pacific region, which accounted for approximately 35.4% of the total market; (ii) the North America region, which accounted for approximately 23.7% of the total market; and (iii) the Europe region, which accounted for approximately 23.3% of the total market. We also noted that the IATA Report concluded that the capacity increased by approximately 5.4%, which was slightly greater than the demand growth of approximately 3.4% and yields remained to be robust. The relevant data as extracted from the IATA Report has been set out below:

Region	Market share	Demand increase/ (decrease)	Capacity increase
Asia-Pacific	35.4%	1.7%	5.0%
North America	23.7%	6.8%	6.8%
Europe	23.3%	3.2%	4.3%
Others	17.6%	(1.3%) to 5.8%	1.0% to 6.0%
Total market	100.0%	3.4%	5.4%

¹As set out in the website of IATA, it is the trade association for the world’s airlines, representing some 290 airlines or 82% of total air traffic.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 Overview of the logistics industry in the PRC

Having considered that (i) the Group's revenue generated from the PRC, which accounted for approximately 63.3% and 68.8% of its total revenue for FY2017 and FY2018, respectively; (ii) air freight is the Group's largest revenue contributor out of its operating segments by revenue for each of FY2017 and FY2018; and (iii) the transactions contemplated under both of the Adjusted Master Service Agreement Annual Caps and the Master Charter Agreement are significant driven by or associated with the PRC, we have conducted background research on the air freight industry in the PRC and set out such industry related information hereunder.

Summary of Civil air traffic volume in PRC between 2015-2017

Year	2015	2016	2017
Civil air traffic volume (tonnes)	6,292,942	6,680,105	7,058,921

Source: National Bureau of Statistics of the PRC

We noted that civil air traffic is one of the key drivers of air freight. As set out in the table above, the demand of PRC civil air traffic has recorded year-on-year increase between 2015 to 2017. According to National Bureau of Statistics of the PRC, the PRC civil air traffic volume for both of domestic flights and international flights in 2017 totalled to approximately 7.1 million tonnes compared to approximately 6.7 million in 2016 and approximately 6.3 million in 2015.

Furthermore, the Belt and Road Initiative, proposed by the PRC in 2013, being a trade and infrastructure network that includes the Silk Road Economic Belt and the 21st Century Maritime Silk Road to connect Asia, Europe and Africa, is also expected to remain as one of the drivers that facilitates and promotes continued international trade activities between the member countries. Despite the uncertainties associated with the ongoing trade negotiations between the PRC and the U.S. and its potential effects on the global economy and trade activities, which in turn may cause fluctuations in the short term, given the target GDP growth rates set by the PRC Government and the ongoing international trade activities driven by the Belt and Road Initiative, the prospects of the logistics industry, in particular, trade activities into and out of the PRC should be positive in the long term.

3. Reasons for and benefits of the continuing connected transactions

Having considered that the relevant background information, we set out hereafter the reasons for and benefits of the transactions under (i) the Adjusted Master Service Agreement Annual Caps; and (ii) the Master Charter Agreement (together, the “**Continuing Connected Transactions**”).

As set out in the Letter from the Board, it was noted that international express and parcel services, which mainly consists of cross-border small parcels of delivery business, is the Group’s growing business to capture the development opportunities arising from the global cross-border e-commerce business. Yuantong possesses a strong express logistic service network covering the PRC, which provides firm supports for the Group’s development of end-to-end full-chain services. The Group will also benefit from the transportation and logistics business for the rest of the world brought in by Yuantong. As such, the Directors consider that the Master Service Agreement is fundamental to the business operation of, and is for the commercial benefit of the Group.

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

Furthermore, from our review of the 2018 Annual Report, we noted that the Group’s aggregated revenue from air freight, ocean freight and international express and parcel was approximately HK\$3,485.2 million and HK\$4,268.4 million for FY2017 and FY2018, respectively, represented a year-on-year increase of approximately 22.5%.

Having considered that (i) the Group is principally engaged in, amongst others, air freight services, ocean freight services and international express and parcel services; (ii) Yuantong possesses a strong express logistic service network covering the PRC, which shall support the Group’s development of end-to-end full-chain services of transportation and logistics business; (iii) the Continuing Connected Transactions are a furtherance of the Group’s principal businesses; (iv) the respective annual caps, if approved, would facilitate the Continuing Connected Transactions for the years ending 31 December 2019, 2020 and 2021 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders’ approval on a transaction-by-transaction basis; and (v) the Group has the right but not the obligation to seek or provide the relevant services to the Yuantong Members at terms determined in accordance with the respective pricing policies, we concur with the Directors’ view that the Continuing Connected Transactions are in the interests of the Company as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal terms of the Master Service Agreement

Date: 24 April 2019

Parties: (i) the Company

(ii) Yuantong

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

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

Pricing policy: (a) Fees charged by the Group

(i) in respect of the provision of international express and parcel services, the service fees charged by the Group will be calculated on a cost plus 4.5%; and

(ii) in respect of the provision of air and ocean freight services, the service fees charged by the Group will be calculated on a cost plus 4.5%.

(b) Fees charged by Yuantong

(i) in respect of the provision of international express and parcel services, the service fees charged by Yuantong will be calculated on a cost plus 4.5%; and

(ii) in respect of the provision of air and ocean freight services, the service fees charged by Yuantong will be calculated on a cost plus 4.5%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

4.1 Analysis on the principal terms of the Master Service Framework Agreement

We noted that the pricing policy under the Master Service Framework Agreement (the “**Master Service Pricing Policy**”) is set out under the paragraph headed under “4. Principal terms of the Master Service Agreement Pricing policy” in this letter above.

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

The Directors have confirmed that terms, including service fees for (i) the international express and parcel services; and (ii) air and ocean freight services, payable to Yuantong Members by the Group (the “**Service Fees**”), in relation to transactions entered into pursuant to the Master Services Framework Agreement have complied with the Master Service Pricing Policy up to the Latest Practicable Date.

In this connection,(i) we have reviewed sample transactions of international express and parcel services provided by the Yuantong Members to the Group under the Master Services Framework Agreement and sample of similar transactions, which the Group entered into with Independent Third Parties during the nine months ended 30 September 2019; and (ii) we have reviewed sample transactions of air and ocean freight services provided by the Yuantong Members to the Group under the Master Services Framework Agreement and sample of similar transactions, which the Group entered into with Independent Third Parties during the nine months ended 30 September 2019. In connection with the above, we have obtained not less than 12 samples on a random basis for our analysis for the nine months ended 30 September 2019.

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The Directors have also confirmed that terms, including service income for (i) the international express and parcel services; and (ii) air and ocean freight services, payable to the Group by Yuantong Members (the “**Service Income**”), in relation to transactions entered into pursuant to the Master Services Framework Agreement have complied with the Master Service Pricing Policy up to the Latest Practicable Date.

In this connection,(i) we have enquired and the Management has confirmed that there were no international express and parcel services provided by the Group to the Yuantong Members under the Master Services Framework Agreement during the nine months ended 30 September 2019; and (ii) we have reviewed sample transactions of air and ocean freight services provided by the Group to the Yuantong Members under the Master Services Framework Agreement and sample of similar transactions, which the Group entered into with Independent Third Parties during the nine months ended 30 September 2019. In connection with the above, we have obtained not less than eight samples on a random basis for our analysis for the nine months ended 30 September 2019.

Based on our work performed on the sample transactions as set out above, we consider the terms of these sample transactions entered into under the Master Service Framework Agreement are no less favourable than the similar transactions the Group entered into with Independent Third Parties. On this basis, we are of the view that the pricing and terms for the provision of services provided by the Group/the Yuantong Members under the Master Service Framework Agreement are fair and reasonable.

5. Proposed Revised Annual Caps

5.1 *Original annual caps and historical transaction figures*

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

The actual historical transaction amount for the year ended 31 December 2018 and for the nine months ended 30 September 2019 of (i) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members amounted to approximately HK\$35.6 million and HK\$41.2 million, respectively; and (ii) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members amounted to approximately HK\$7.4 million and HK\$5.8 million, respectively.

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The following table sets out the historical annual caps for transactions and the historical actual amounts of (i) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members; and (ii) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members, for the year/period indicated below:

	For the year ended 31 December 2018 <i>(approximately)</i>	For the nine months ended 30 September 2019 <i>(approximately)</i>
Historical transaction amounts:		
– In respect of international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members	HK\$35.6 million	HK\$41.2 million
– In respect of international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members	HK\$7.4 million	HK\$5.8 million

As set out in the Letter from the Board, the expected transaction amounts under the Master Service Agreement from 1 January 2019 and up to the date of EGM in respect of (i) international express and parcel services and air and/or ocean freight services fees to be paid by the Group to Yuantong Members will be approximately HK\$41.5 million; and (ii) international express and parcel services and air and/or ocean freight services income to be received by the Group from Yuantong Members will be approximately HK\$6.5 million.

5.2 Adjusted Master Service Agreement Annual Caps

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

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The following table sets out the Adjusted Master Service Agreement Annual Caps for the years indicated below are as follows:

	Adjusted Master Service Agreement		
	Annual Caps		
	Year ending	Year ending	Year ending
	31 December	31 December	31 December
	2019	2020	2021
	(HK\$'million)	(HK\$'million)	(HK\$'million)
(i) In respect of international express and parcel services and air and ocean freight services fees to Yuantong Members (i.e. the “ Service Fees Annual Caps ”)	88.8	257.5	386.3
(ii) In respect of international express and parcel services and air and ocean freight services income from Yuantong Members (i.e. the “ Service Income Annual Caps ”)	114.3	342.9	481.0

As set out in the Letter from the Board, the Adjusted Master Service Agreement Annual Caps were determined by the Directors by reference to a number of factors, which have been summarised below:

For the Service Fees Annual Caps

- (i) the historical actual amount of international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members for the year ended 31 December 2018 and the nine months ended 30 September 2019;
- (ii) the expected demand by the Group of international express and parcel service and air and ocean freight services from/to overseas, including Asian countries and North America region, to/from the PRC;
- (iii) the expected growth of approximately 180% and 40% in demand of international express and parcel services and air and ocean freight services of the Group for the years ending 31 December 2020 and 2021; and

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- (iv) a 10% buffer to cater for the unanticipated increase in each of the fees to be paid by the Group under the Master Service Agreement.

For the Service Income Annual Caps

- (i) the historical actual amount of international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the year ended 31 December 2018 and the nine months ended 30 September 2019;
- (ii) in respect of the year ending 31 December 2019, the assumption of the proposed acquisition by the Company of the entire issued share capital in a wholly owned subsidiary of Yuantong ("**Target Company**"), after the EGM. The Target Company is a company incorporated in Hong Kong which has been providing international express and parcel services and air and ocean freight services to Yuantong Members. As Yuantong would like to focus its resources within the PRC, it intends to transfer the Target Company to the Company. As a result of the proposed acquisition, the Group expected that the Target Company will substantially contribute to the international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members under the Master Service Agreement. The historical actual transaction amounts in respect of international express and parcel services and air and ocean freight services income received by the Target Company from Yuantong Members for the year ended 31 December 2018 and the nine months ended 30 September 2019 was approximately HK\$5.9 million and HK\$5.7 million, respectively;
- (iii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;
- (iv) the expected growth of approximately 190% and 30% in demand of international express and parcel services and air and ocean freight services of Yuantong Members for the years ending 31 December 2020 and 2021, respectively; and
- (v) a 10% buffer to cater for the unanticipated increase in each of the income to be received by the Group under the Master Service Agreement.

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5.3 *Our analysis and works performed*

In assessing the Adjusted Master Service Agreement Annual Caps, we have obtained from the Management schedules setting out the breakdown of service fees to Yuantong Members and service income from Yuantong Members by geographical region and services type for the three years ending 31 December 2019, 2020 and 2021 (the “**Service Fees/ Income Schedules**”). The Service Fees/Income Schedules set out information such as, the types of logistic services to be provided to/by members of the Group by/to members of the Yuantong Members as well as the subject geographical region, further information has been summarised below:

For the Service Fees Annual Caps

Type of services	For the year ending 31 December		
	2019	2020	2021
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Express delivery services in the PRC (國內快遞服務)	82.9	242.5	366.3
Express delivery with parcel collection services in the PRC (國內取件首公里服務)	5.9	10.0	13.0
Lease of logistic facilities	–	5.0	7.0
Total	88.8	257.5	386.3

In connection with the Service Fees Annual Caps for the years ending 31 December 2019, 2020 and 2021 (referred to as the “**FY2019 Service Fees Annual Cap**”, “**FY2020 Service Fees Annual Cap**” and “**FY2021 Service Fees Annual Cap**” individually hereafter), we noted from the Services Fees/Income Schedules that majority of the Service Fees Annual Caps were attributable to logistics and ancillary services to be provided by Yuantong Members including, among others, (i) express delivery services in the PRC; (ii) express delivery services with parcel collection services in the PRC; and (iii) lease of logistic facilities in the PRC, each of the aforesaid services form part of our overall logistics and ancillary services to our customers, in particular, in relation to our operations in the PRC, which may involve cross-border air and ocean freight and international express and parcel.

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As advised by the Management, (i) the express delivery services in the PRC; and (ii) the express delivery with parcel collection services in the PRC, would typically include, where appropriate, express delivery pick up, express delivery transit, sorting, trunk transportation and final delivery. Given the expected volume of express delivery parcels and the time constraint the Group has to deliver under, a well established logistics network with a good coverage of the PRC cities is essential to the Group's success in the PRC. With this in mind, the Management is of the view it is cost effective for the Group to leverage of Yuantong Members' existing extensive logistics networks, which serves 31 PRC provinces, autonomous regions and municipalities directly under the PRC Government, in addition to its extensive coverage at Prefectural-Level cities of the PRC, according to the interim report of Yuantong group for the six months ended 30 June 2019 (the "**Yuantong 2019 Interim Report**"). Furthermore, we also noted from the Yuantong 2019 Interim Report that as part of its extensive logistics network, the Yuantong group had 3,856 franchisees, 31,302 end outlets, 47,000 terminal stores, to facilitate convenient and effective pick-up and delivery links across the PRC. The Yuantong group also operate 68 self-operated hub transshipment centres in PRC, 5 self-operated city distribution centres, 1,572 own trunk transportation vehicles, and 12 self-owned aircrafts.

Under the operation of Yuantong Members, the express delivery pick up is mainly carried out by their respective franchisees serving the customers situated in the region. Through its logistic information system, the Yuantong group is able to determine the appropriate routes, manage the delivery of parcels, monitors and tracks the whereabouts of the subject parcels, such information system is an integral part of Yuantong group's significant logistics business in the PRC. According to the Yuantong 2019 Interim Report, the Yuantong group's business volume was approximately 3.8 billion pieces, representing a year-on-year growth rate of approximately 35.2%, accounting for approximately 13.7% of the national express delivery service business in PRC. In view of the above, the Management considered that, by leveraging on the well developed PRC logistics network of Yuantong Members, the Group can further capture additional market share in respect of express delivery services from/to overseas to/from the PRC.

We further understand from the Management that the Service Fee Annual Caps primarily comprised of (i) express delivery services; and (ii) the express delivery with parcel collection services, in the PRC which, in aggregate, amounted to approximately HK\$88.8 million, HK\$252.5 million and HK\$379.3 million for FY2019, FY2020 and FY2021. Such estimations are based on the Management's expected demand of (i) the express delivery services from/to overseas, including various

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Asian countries and the North America region, to/from the PRC and in the PRC; and (ii) expected growth of approximately 180% and 40% in demand of international express and parcel services and air and ocean freight services of the Group for FY2020 and FY2021, respectively. The aforesaid estimates were based on, among others, (i) the historical growth rate of the Group's business in the respective regions; and (ii) the expected growth rate in the demand of logistics services from the respective oversea regions, where applicable. In addition, we also noted that the notable increase in FY2020 and FY2021, such is mainly attributable to (i) the Group has recorded notable growth of international express and parcel services and air and/or ocean freight services fees for the nine months ended 30 September 2019 of approximately HK\$41.2 million compared with the year ended 31 December 2018 of approximately HK\$35.6 million and such growth is expected to continue for the remaining period in FY2019, while the annual cap for FY2020 is for the entire 12 months; and (ii) the expected growth in demand of the express delivery services and express delivery with parcel collection services in FY2020 and FY2021 from/to overseas regions, including Asian countries and the North America region.

Furthermore, the Management advised that certain services provided by Yuantong Members to the Group had to be scaled back and temporarily ceased as at the Latest Practicable Date to ensure that the Group does not exceed the relevant thresholds as stipulated in the Listing Rules and such services shall resume to its normal level and demand for these services will be allowed to grow normally without the original constraints imposed after the Independent Shareholders' approval having been obtained at the EGM.

In this connection, we understand from the Management that the demand of majority of the express delivery services in the PRC and the express delivery with parcel collection services in the PRC, which made up the Service Fees Annual Caps, are expected to be attributable to logistics and ancillary services from, among others, (i) PRC local logistics services, including but not limited to cities such as Shanghai and Shenzhen for local transportation, storage and other logistic operations; (ii) international logistic services route between cities, including but not limited to, (a) the PRC and Taiwan; (b) the PRC and Singapore; (c) the PRC and South Korea; and (d) the PRC and the U.S.; and (iii) logistics agency related services. The Management advised that certain of the above international logistic services routes are relatively new or to be introduced during the three years ended 31 December 2022, thus the growth rate for Service Fee Annual Caps, in particular, from FY2019 to FY2020, are expected to be significant.

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In addition, we also noted that part of the Service Fees Annual Caps was estimated based on the lease of logistic facilities in the PRC which amounted to approximately nil, HK\$5.0 million and HK\$7.0 million for FY2019, FY2020 and FY2021, the Management advised that the aforesaid estimates was based on the lease of two and three logistic facilities, such as warehouse and logistics sorting centre, in the PRC for FY2020 and FY2021, respectively. With reference to the FY2018 Annual Report, the Group (i) recorded revenue from international express and parcel services increased from approximately HK\$103.5 million during the FY2017 to approximately HK\$282.1 million during the FY2018, representing an increase of approximately 172.7%; and (ii) completed the delivery of approximately 39.6 million units in international express and parcel business during the FY2018 compared with approximately 14.2 million units for FY2017, representing an increase of approximately 178.9%, and there has been rapid development of e-commerce in recent years which the Management expected to further support the growth in the demand for international express and parcel services.

As part of our analysis, we have discussed and understood from the Management that the engagement of Yuantong Members to provide logistics and ancillary services in the PRC will be part of our global logistics operations, in particular, for the Group's logistics services from/to overseas to/from the PRC, including countries or locations in Asia regions and Northern America. We noted from the 2018 Annual Report that, the Group's revenue, from external customers, from the PRC, Northern America and Other Asian regions amounted to approximately HK\$3,070.4 million, HK\$409.7 million and HK\$412.1 million for FY2018, respectively. For illustration purposes, the FY2019 Service Fees Annual Cap, FY2020 Service Fees Annual Cap and FY2021 Service Fees Annual Cap of approximately HK\$88.8 million, HK\$257.5 million and HK\$386.3 million represent approximately 2.3%, 6.6% and 9.9% (together the "**Service Fees Annual Cap Ratios**") of the aggregate revenue from external customers of the aforesaid regions which totalled to approximately HK\$3,892.2 million for FY2018.

It is also noted from the annual report of the Company for FY2017 (the "**FY2017 Annual Report**") that the aggregate revenue from external customers of the aforesaid regions totalled to approximately HK\$2,543.1 million and HK\$3,167.7 million for FY2016 and FY2017, respectively. Based on the above, the growth rate from (i) FY2016 to FY2017; and (ii) FY2017 to FY2018, was approximately 24.6% and 22.9%, respectively. On this basis, if the aggregate revenue from external customers of the aforesaid regions would continue to increase at a similar growth rate, the Service Fees Annual Cap Ratios calculated in the preceding paragraph will be reduced.

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Having considered factors including (i) the information as set out in the Service Fees/Income Schedules provided by the Management; (ii) our analysis on the Service Fees/Income Schedules; (iii) the Service Fees Annual Cap Ratios were approximately 2.3%, 6.6% and 9.9% of the aggregate revenue from the Group's external customers based in the relevant regions for FY2018; (iv) based on the FY2017 Annual Report and FY2018 Annual Report, the aggregate revenue from the Group's external customers based in the relevant regions have been increasing between FY2016 to FY2018; (v) the Continuing Connected Transactions are a furtherance of the Group's principal businesses and the Group has already established itself at the respective overseas countries/locations; (vi) given the volume and amount of these transactions are primarily demand driven by the market and may fluctuate notably from year to year and the respective annual caps, if approved, would facilitate the Continuing Connected Transactions for the years ending 31 December 2019, 2020 and 2021 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; (vii) the Management advised that certain services provided by Yuantong Members to the Group had to be scaled back and temporarily ceased as at the Latest Practicable Date to ensure that the Group does not exceed the relevant thresholds as stipulated in the Listing Rules and such services shall resume to its normal level and demand for these services will be allowed to grow normally without the original constraints imposed after the Independent Shareholders' approval having been obtained at the EGM, such caused unnecessary operational burden and limited the Group's further expansion in the PRC and overseas locations; (viii) Yuantong Members possesses an established and extensive logistic services network across the PRC, which shall support the Group's development of end-to-end full-chain services of transportation and logistics business; (ix) the growth rate of the Service Fees Annual Caps; and (x) the Group has the right but not the obligation to seek the relevant services from the Yuantong Members at terms determined in accordance with its pricing policies under the Master Service Agreement, we are of the view that the Service Fees Annual Caps to be fair and reasonable.

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For the Service Income Annual Caps

Type of logistic services	For the year ending 31 December		
	2019	2020	2021
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
International logistic services	36.5	110.4	154.6
International express and parcel services	77.8	232.5	326.4
Total	114.3	342.9	481.0

In connection with the Service Income Annual Caps for the years ending 31 December 2019, 2020 and 2021 (referred to as the “**FY2019 Service Income Annual Cap**”, “**FY2020 Service Income Annual Cap**” and “**FY2021 Service Income Annual Cap**” individually hereafter), we noted from the Services Fees/Income Schedules that Service Income Annual Caps were attributable to logistics and ancillary services to be provided to the Yuantong Members such logistics and related services include, among others, (i) international logistic services; and (ii) international express and parcel services.

The Management advised that in relation to (i) international logistic services to be provided to the Yuantong Members by the Group, such shall include ancillary and contract logistics services business such as warehousing, distribution and customs clearance; and (ii) international express and parcel services to be provided to the Yuantong Members by the Group, such shall mainly consist of cross-border small parcels of delivery business.

We noted from the Service Fees/Income Schedules that the Service Income Annual Caps were primarily attributable to (i) international logistic services to be provided by the Group to Yuantong Members, which shall cover international logistic services route, such as from/to cities in (a) Taiwan and the PRC; (b) the U.S. and the PRC; and (c) South Korea and Taiwan, which amounted to approximately HK\$36.5 million, HK\$110.4 million and HK\$154.6 million for FY2019, FY2020 and FY2021; and (ii) international express and parcel services to be provided by the Group to Yuantong Members, which shall cover international logistic services route, such as from/to cities in (a) Taiwan and the PRC; (b) the U.S. and the PRC; and (c) South Korea and Taiwan, which amounted to approximately HK\$77.8 million, HK\$232.5 million and HK\$326.4 million for FY2019, FY2020 and FY2021, respectively. The growth rate of the Service Income Annual Caps are estimated based on (i) the historical growth of Yuantong group’s logistics business, which was attributable to both its PRC domestic logistics business and its cross-border logistics business with overseas countries, such is

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evidenced by the following financial information as set out in the annual report of the Yuantong for FY2018 (the “**Yuantong 2018 Annual Report**”), Yuantong group recorded revenue of approximately RMB20.0 billion and RMB27.5 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year increase in revenue of approximately 37.5%, of which approximately RMB213.5 million was attributable to international express delivery products* (國際快遞產品), representing a year-on-year increase of approximately 83.7%, such is against the backdrop of a year-on-year increase for international express delivery products of approximately 93.9% being recorded for the year ended 31 December 2017, both of which represent a growth rate significantly higher than the overall increase in revenue of the Yuantong group, respectively.

For information purposes, the aforesaid increase represented/demonstrated (i) an increase at the compound annual growth rate (the “**CAGR**”) between the years ended 31 December 2017, 2018 and 2019 of approximately 88.7%; (ii) the significant growth potentials of the relevant international logistics services route as set out above, some of which are relatively new and/or to be established, thus making comparisons against the historical transacted amounts will be of a limited relevancy; (iii) the expected continued expansion of Yuantong group’s logistics business and its PRC logistics network, details of which were set out in this letter above; and (iv) the expected demand for international logistic services and international express and parcel services from the PRC and overseas market driven by the continued growth in logistics activities from/into the PRC which have been analysed under the paragraph headed under “2. Overview of macro-economy and logistics industry” in this letter above.

In addition, we also noted that there is a proposed acquisition by the Company of the entire issued share capital in a Target Company, after the EGM. As a result of such proposed acquisition, the Group expected that the Target Company will also substantially contribute to the international express and parcel services and air and ocean freight services income to be received by the Group from Yuantong Members under the Master Service Agreement.

Having considered that (i) the year-on-year increase of revenue attributable to international express delivery products growth rate of approximately 83.7% for the year ended 31 December 2018 of Yuantong group and a three year CAGR between the years ended 31 December 2017, 2018 and 2019 of approximately 88.7%; (ii) the significant growth potentials of the relevant international logistics services route as set out above, some of which are relatively new and/or to be established, thus making comparisons against the historical transacted amounts will be of a limited relevancy; (iii) the proposed acquisition of the Target Company shall contribute certain international express and parcel

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services and air and ocean freight services income to be received by the Group from Yuantong under the Master Service Agreement; and (iv) in the event that the Services Fee Income Annual Caps are insufficient, the Group will have to downscale and/or cease its services to be provided to Yuantong Members temporarily until a new annual cap is proposed and approved by the then independent Shareholders, where appropriate, which would adversely affect the amount of revenue that can otherwise be derived from the provision of such logistic services, we concur with the Management that the increase in the relevant annual caps for the international express and parcel services and air and ocean freight services to be provided to the Yuantong Members represent a growth of approximately 190% and 30% of for the year ending 31 December 2020 and 2021 and a three year CAGR of approximately 94.2% to be reasonable.

We understand that from the Management that the engagement by Yuantong Members to provide (i) international logistics services; and (ii) international express and parcel services, are a furtherance of the Group's existing logistics business, which covered the PRC, Europe, Northern America and other Asian regions as per its 2018 Annual Report. We noted from the 2018 Annual Report that, revenue from external customers from the PRC, Northern America and other Asian regions amounted to approximately HK\$3,070.4 million, HK\$409.7 million and HK\$412.1 million for FY2018, respectively. For illustration purposes, the FY2019 Service Income Annual Cap, FY2020 Service Income Annual Cap and FY2021 Service Income Annual Cap of approximately HK\$114.3 million, HK\$342.9 million and HK\$481.0 million represent approximately 2.9%, 8.8% and 12.4% (together the "**Service Income Annual Cap Ratios**") of the aggregate revenue from external customers of the aforesaid regions which totalled to approximately HK\$3,892.1 million for FY2018.

It is also noted from the FY2017 Annual Report that the aggregate revenue from external customers of the aforesaid regions totalled to approximately HK\$2,543.1 million and HK\$3,167.7 million for FY2016 and FY2017, respectively. Based on the above, the growth rate from (i) FY2016 to FY2017; and (ii) FY2017 to FY2018, was approximately 24.6% and 22.9%, respectively. On this basis, if the aggregate revenue from external customers of the aforesaid regions would continue to increase at a similar growth rate, the ratios calculated in the preceding paragraph will be reduced.

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Furthermore, we noted from the 2018 Annual Report, the Group had 54 offices around the world as at 31 December 2018, out of which 47 offices were located in 11 Asian countries and territories, including the PRC, Cambodia, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, Thailand, the United Arab Emirates and Vietnam, two offices in Europe and five offices in America. On this basis, the Management considered that the Group is well positioned to further develop its operations at the aforesaid locations and increase its market share by seizing the demand for air and ocean freight services, and international express and parcel services from both existing and new customers.

Having considered factors including (i) the information as set out in the Service Fees/Income Schedules provided by the Management and our analysis above; (ii) our analysis on the Services Fees/Income Schedules; (iii) the Service Income Annual Cap Ratios were approximately 2.9%, 8.8% and 12.4% of the aggregate revenue from the Group's external customers based in the relevant regions for FY2018; (iv) based on the FY2017 Annual Report and FY2018 Annual Report, the aggregate revenue from the Group's external customers based in the relevant regions have been increasing between FY2016 to FY2018; (v) the Continuing Connected Transactions are a furtherance of the Group's principal businesses and the Group has already established itself at the respective countries/locations; (vi) given the volume and amount of these transactions are primarily demand driven by the market and may fluctuate notably from year to year and the respective annual caps, if approved, would facilitate the Continuing Connected Transactions for the years ending 31 December 2019, 2020 and 2021 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; (vii) the Management is of the view that by providing international logistic services and international express and parcel services to the Yuantong Members, the Group can better utilise its capacity, increase its revenue and improve its economies of scale; and (viii) the Group has the right but not the obligation to provide the relevant services to the Yuantong Members at terms determined in accordance with its pricing policies under the Master Service Agreement, we are of the view that the Service Fees Annual Caps to be fair and reasonable.

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6. Principal terms of the Master Chartered Agreement

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

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

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

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

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

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

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

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

- (i) the expected demand of air freight chartering services to and from countries and regions around the world by the Group during the years ending 31 December 2019 and 2020;

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- (ii) the expected growth in demand of air freight chartering services to and from countries and regions around the world by the Group for the years ending 31 December 2020 and 2021. Such expected growth in demand for the years ending 31 December 2020 and 2021 is mainly attributable to (a) the annual cap for the year ending 31 December 2019 only took into consideration the transactions expected to take place after the EGM and up to 31 December 2019, while the annual caps for the years ending 2020 and 2021 are for the entire 12 months for the respective years; and (b) the expected increase in new routings of charter flights for the years ending 31 December 2020 and 2021, from an aggregate of only two destinations for the year ending 31 December 2019 to an aggregate of four and seven destinations for the years ending 31 December 2020 and 2021, respectively. The additional two and three new routings in 2020 and 2021, respectively, are expected to account for approximately 29.9% and 33.3% of the estimated annual caps under the Master Charter Agreement for the years ending 31 December 2020 and 2021, respectively. As the new routings are to be introduced during the years ending 31 December 2020 and 2021, the expected growth in demand for the years ending 31 December 2020 and 2021 are expected to be significant; and
- (iii) the 13% buffer to cater for the unanticipated increase in Charter and Related Fees, Cargo Terminal Expenses and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to YTO Cargo under the Master Charter Agreement.

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6.1 *Our analysis and works performed*

As advised by the Management, in respect of the transactions under the Master Charter Framework Agreement, the Charter and Related Fees shall be determined by the parties at the time of placing the order. As part of the internal control procedures to ensure that the Charter and Related Fees are transacted at terms no less favourable than those available from Independent Third Party(ies), the Group shall obtain quotation from at least one (or such other number as shall be determined by the majority of the independent non-executive Directors from time to time) Independent Third Party freight services providers and compare the terms offered by YTO Cargo. According to the pricing policy, the Charter and Related Fees shall be determined by using the lower of (i) the Charter and Related Fees offered by YTO Cargo; and (ii) quotation from Independent Third Party(ies) freight services providers. The Management advised that the operation department shall be responsible for obtaining relevant third party quotations and members of management of the corporate operation department will be responsible to supervise the process and approve the subject transaction.

In assessing the proposed annual caps under the Master Charter Agreement (the “**Master Charter Annual Caps**”), we have obtained from the Management a schedule (the “**Charter Schedule**”) setting out the breakdown of the Master Charter Annual Caps by, among others, the number of charter flights for the respective routes as well as the relevant costs per charter flight, details of which are set out below:

Route	Number of round trips (FY2019/ FY2020/ FY2021)	For the year ending 31 December		
		2019 HK\$'million (Note)	2020 HK\$'million	2021 HK\$'million
PRC – Southeast Asia region	23 / 912 / 1,104	15.0	428.9	502.4
PRC – South Asia region	- / - / 144	-	-	108.5
PRC – East Asia region	- / - / 144	-	-	32.5
Total		15.0	428.9	643.4

Note: The annual cap for the year ending 31 December 2019 only took into consideration the transactions expected to take place after the EGM and upto 31 December 2019.

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Based on the Charter Schedule, we noted that the Master Charter Annual Caps are primarily related to chartering of flights between (i) the PRC; and (ii) various Asian countries, including Malaysia, Thailand, Vietnam, the Philippines, Bangladesh and South Korea. We also noted from the Management that the maximum payload per each round trip may range from approximately 26,000 kg to 54,000 kg, subject to the type of chartered aircraft, which is also considered in the Charter Schedule.

The Master Charter Annual Caps for FY2019 (the “**FY2019 Master Charter Annual Cap**”) and FY2020 (the “**FY2020 Master Charter Annual Cap**”) is approximately HK\$15.0 million and HK\$428.9 million, respectively, representing an increase of approximately HK\$413.9 million. Such increase is primarily related to the increase in number of charter flights and number of routes attributable to the respective years. The Management estimated 23 round trips and 912 round trips of charter flight between the PRC and Southeast Asia region for FY2019 and FY2020, respectively. Such is largely attributable to the limited number of months remaining in FY2019 compared to the period of 12 months in FY2020. The number of round trips for the aforesaid route are based on the Group’s existing strategy and development plan in the Southeast Asian region for the respective years. Furthermore, we noted from the 2018 Annual Report, the Group has already been conducting its logistics business and established offices in Southeast Asia region.

According to FY2017 and FY2018 Annual Report, as the overseas business platform of Yuantong group, the Group is part of Yuantong’s global development strategy, which include promote reformation through development, and strive for being an international integrated express delivery and logistics company with international express delivery as its core business since 2017 and the Group recorded a year-on-year increase in revenue of approximately 172.7% for the new revenue segment of international express delivery products* (國際快遞產品). Against the backdrop of the Group’s successful track record in international services expansion and expanding its global network, we concur with the Management that the expected growth in demand of freight chartering services to and from countries and regions around the world by the Group for the year ending 31 December 2021 is reasonable.

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We also noted that the Master Charter Annual Caps for FY2021 (the “**FY2021 Master Charter Annual Cap**”) has been estimated at approximately HK\$643.4 million compared to approximately HK\$428.9 million for FY2020, representing an increase of approximately HK\$214.5 million. Such increase is primarily related to the number of charter flights and number of routes attributable to the respective years. For FY2020 and FY2021, the Management estimated 912 round trips and 1,104 round trips of charter flight for Southeast Asia region, respectively. In addition, for FY2021, the Management also estimated 144 round trips of charter flight for South Asia region as well as 144 round trips of charter flight for East Asia region. The Management advised that, according to the Group’s existing development expansion plan, the Group intends to expand its logistics business into the Philippines, Bangladesh and South Korea. Hence, the Management considered that the chartering of flights between the PRC and each of the Philippines, Bangladesh and South Korea are an integral part of the Group’s existing expansion plan into the aforesaid countries.

We have obtained a schedule from the Management setting out the estimated costs of charter flight per round for the respective routes and understood their basis of estimation. We have also conducted background research into the level of air freight related logistic activities with reference to the countries as set out in the Charter Schedule, namely, the PRC and Malaysia, Thailand, Vietnam, the Philippines, Bangladesh and South Korea (the “**Selected Southeast Asia Countries**” excluding the PRC). We noted from a publication by IATA titled “Industry Statistics Fact Sheet June 2019” (https://www.iata.org/pressroom/facts_figures/fact_sheets/Documents/fact-sheet-industry-facts.pdf) that the world’s total air freight amounted to approximately 63.3 million tonnes in 2018. The GDP of the Selected Southeast Asia Countries in 2018 together with the GDP of the Guangdong Province, Hunan Province and Zhejiang Province (being the Group’s main area of focus in the PRC in relation to the charter flights) in 2018, in aggregate, accounted for approximately 7.2% of the world’s GDP based published data from the World Bank and the National Bureau of Statistics of the PRC. We understand that the Management has considered the Group’s current estimated market position in the PRC as well as its target market position at the respective Selected Southeast Asia Countries for FY2019, FY2020 and FY2021 when preparing the Charter Schedule. Furthermore, we have also obtained from the Management, the Group’s strategy and development plan for each of the Selected Southeast Asia Countries for the three years ending 31 December 2021.

Having considered our analysis and work performed as set out above, we considered the Master Charter Agreement and the Master Charter Annual Caps to be fair and reasonable and in the interests of the Company and Shareholders as a whole.

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RECOMMENDATION

Having taken into account of the above factors and reasons as set out above, we are of the view that the Continuing Connected Transactions and the Proposed Annual Caps are in the interests of the Company and the Shareholders as whole, the Continuing Connected Transactions and the Proposed Annual Caps, including the Adjusted Master Service Agreement Annual Caps and the proposed annual caps for the three years ending 31 December 2021 for the Master Charter Agreement, are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the Continuing Connected Transactions and Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in the corporate finance industry.

* For identification purpose only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors, collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests and short positions in shares and underlying shares of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives 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 SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/ nature of interest	Number of Share(s) involved	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	Interest of controlled corporation (<i>Note 1</i>)	37,698,000	9.53%
Mr. Yu Huijiao	Interest of controlled corporations (<i>Note 2</i>)	268,229,408	64.36%

Notes:

- 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 held by Lam Investco. Mr. Lam Chun Chin, Spencer is the director of Lam Investco.
- These Shares are held by YTO Global Holdings Limited, a company wholly owned by Yuan Jun. Yuan Jun is a company wholly owned by Yuantong, which is in turn owned as to 50.78% by 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 held by YTO Global Holdings Limited.

(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 share(s) 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%
	Yuantong	Interest of controlled corporations	1,579,971,414	55.57%
		Beneficial owner	133,450,083	4.69%
		Interest of spouse	98,127,852	3.45%
	Yuan Jun	Interest of controlled corporations	RMB1,800,000,000	100.00%
YTO Global Holdings Limited	Interest of controlled corporations	1,600,000,000	100.00%	

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 “2. Disclosure of Interests — (a) Disclosure of interests and short positions in shares and underlying shares of Directors and chief executive”. YTO Global Holdings Limited holds more than 50% of the issued share capital of the Company, and Yuantong Jiaolong, Yuantong and Yuan Jun directly/indirectly hold more than 50% of the issued share capital of YTO Global Holdings Limited. In this connection, Yuantong Jiaolong, Yuantong, 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 the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest and short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Directors' service contracts

As at the Latest Practicable Date, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Interest in contracts and arrangements of significance

Save for Mr. Yu (being a substantial shareholder of Yuantong), Mr. Li Xianjun (being vice president of Yuantong), Mr. Su Xiufeng (being chairman of the board of YTO Cargo), Mr. Zhu Rui (being assistant to the chairman of Yuantong) and Mr. Lin Kai (being vice president and chief financial officer of Yuantong) and therefore each being materially interested in the continuing connected transactions under the Master Service Agreement and the Master Charter Agreement, none of the Directors had material interest in any other contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(d) Interest in competing business

As at the Latest Practicable Date, the following Director was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (the "**Competing Business**"), as defined in the Listing Rules, details of which are set out below:

Name of Director	Mr. Yu Huijiao, non-executive Director of the Company, who is also a substantial shareholder of Yuantong
Nature and scope of the Competing Business	Yuantong Members is principally engaged in the warehousing and distribution of goods as a leader in the express and courier service market in the PRC
Size of the Competing Business	Yuantong is a company listed on the Shanghai Stock Exchange (stock code: 600233), with market capitalization amounted to RMB37.7 billion as at the Latest Practicable Date
Management of the Competing Business	The positions held by the Directors in Yuantong or Yuantong Members are as follows: Mr. Yu Huijiao, <i>chairman of the board of Yuantong</i> Mr. Li Xianjun, <i>vice president of Yuantong</i> Mr. Su Xiufeng, <i>chairman of the board of YTO Cargo</i> Mr. Zhu Rui, <i>assistant to the chairman of Yuantong</i> Mr. Lin Kai, <i>vice president and chief financial officer of Yuantong</i>

As at the Latest Practicable Date, since Yuantong Members' main focus was warehousing and distribution of goods through express and courier service in the PRC and apart from intra-group freight forwarding services among Yuantong Members', Yuantong Members did not carry out any freight forwarding services to and/or business with external parties, the Directors considered that the operations of Yuantong Members did not affect the Group's business.

Save as disclosed, to the best of the knowledge of the Directors, none of the Directors or their respective close associates have any other interest in a business, which competes or may compete with the business of the Group.

(e) Interest in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. EXPERT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:

Name	Qualification
Red Sun Capital Limited	A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

The expert as set out above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the expert as set out above did not have any beneficial interest in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any direct or indirect interest in any asset which has since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse changes in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

5. MISCELLANEOUS

- (a) All references to dates in this circular refer to Hong Kong dates.
- (b) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (except public holidays) at the office of the Company at Unit 18, 1st Floor, Sino Industrial Plaza, 9 Kai Cheung Road, 26 Harbour Road, Kowloon Bay, Hong Kong, up to and including the date falling on 14 days from the date of this circular:

- (a) the Master Service Agreement; and
- (b) the Master Charter Agreement.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6123)

NOTICE OF THE EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of YTO Express (International) Holdings Limited (the “Company”) will be held at Victoria Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 27 November 2019 at 2:30 p.m. for the purposes of considering and, if thought appropriate, approving the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “THAT
 - (a) the adjusted annual caps for the transactions contemplated under the master service agreement (the “**Master Service Agreement**”) entered into between the Company and 圓通速遞股份有限公司 (YTO Express Group Co., Ltd.*) (“**Yuantong**”) on 24 April 2019 in relation to the provision of international express and parcel services and/or air and ocean freight services for each of the years ending 31 December 2019, 2020 and 2021 be and are hereby approved; and
 - (b) any director of the Company (the “**Director**”) or any other person authorised by the Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he may in his absolute discretion consider necessary or desirable for or in connection with the implementation of the Master Service Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Master Service Agreement which is in his opinion not of a material nature and to effect or implement any other matters referred to in this resolution.”

2. “THAT

- (a) the master charter agreement (the “**Master Charter Agreement**”) entered into between the Company (for itself and on behalf of its subsidiaries, together with the Company, the “**Group**”) and 杭州圓通貨運航空有限公司 (YTO Cargo Airlines Co., Ltd.*) (“**YTO Cargo**”) on 23 August 2019 in relation to the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes, and the transactions contemplated thereunder (including the proposed annual caps for each of the years ending 31 December 2019, 2020 and 2021) be and are hereby approved, and the entering into of the Master Charter Agreement by a Director for and on behalf of the Company on 23 August 2019 be and is hereby approved, confirmed and ratified; and
- (b) any Director or any other person authorised by the Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he may in his absolute discretion consider necessary or desirable for or in connection with the implementation of the Master Charter Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Master Charter Agreement which is in his opinion not of a material nature and to effect or implement any other matters referred to in this resolution.”

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, 29 October 2019

* *for identification purpose only*

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 2:30 p.m. on Monday, 25 November 2019) or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint holders of a share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share of the Company as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share of the Company shall alone be entitled to vote in respect thereof.
4. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 22 November 2019 to Wednesday, 27 November 2019 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the EGM, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at its address shown in Note 2 above for registration no later than 4:30 p.m. on Thursday, 21 November 2019.
5. References to time and dates in this notice are to Hong Kong time and dates.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.