圓通國際

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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 6123)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to about HK$3,898 million for the FY2019, representing a decrease of about 12.7% as compared to that of the FY2018 (FY2018: about HK$4,463 million);
- Air freight business recorded a decrease of about 35.6% in segment results for the FY2019 as compared to that of the FY2018, to about HK$152 million (FY2018: about HK$235 million);
- The Group recorded a profit attributable to owners of the Company of about HK$26 million for the FY2019, a decrease of about 74.9% as compared to that of the FY2018 (FY2018: about HK$104 million); and
- The Board recommended the payment of a final dividend of HK1.0 cents per share for the FY2019 (FY2018: HK3.8 cents), which is subject to the approval of the Company's shareholders at the AGM.

The board (the "**Board**") of directors (the "**Directors**") of YTO Express (International) Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**FY2019**"), together with the comparative audited figures for the year ended 31 December 2018 (the "**FY2018**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*2*	**3,897,903**	4,462,803
Cost of sales		**(3,346,982)**	(3,867,730)
Gross profit		**550,921**	595,073
Other income		**15,726**	24,529
Administrative expenses		**(498,589)**	(488,421)
Net impairment loss (recognised) reversed under expected credit loss model		**(5,858)**	1,424
Impairment loss on goodwill		**(19,309)**	–
Impairment loss on intangible assets		**(787)**	–
Other gains or losses		**(2,663)**	794
Share of results of associates		**694**	2,255
Share of results of joint ventures		**1,250**	661
Finance costs		**(7,602)**	(7,732)
Profit before taxation		**33,783**	128,583
Income tax expense	*3*	**(5,170)**	(22,880)
Profit for the year	*4*	**28,613**	105,703
Profit for the year attributable to:			
Owners of the Company		**26,101**	104,163
Non-controlling interests		**2,512**	1,540
		28,613	105,703
Earnings per share (Hong Kong cents)			
Basic	*5*	**6.32**	25.14
Diluted	*5*	**6.32**	25.14

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year	**28,613**	105,703
Other comprehensive income (expense), net of income tax:		
Items that will not be reclassified to profit or loss		
Revaluation increase (decrease) on leasehold land and buildings	**605**	(352)
Deferred tax arising on revaluation of leasehold land and buildings	**(54)**	225
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive expense of associates	**(224)**	(262)
Share of other comprehensive expense of joint ventures	**(190)**	(255)
Exchange difference arising from foreign operations	**(6,371)**	(15,888)
Other comprehensive expense for the year	**(6,234)**	(16,532)
Total comprehensive income for the year	**22,379**	89,171
Total comprehensive income for the year attributable to:		
Owners of the Company	**20,600**	86,922
Non-controlling interests	**1,779**	2,249
	22,379	89,171

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTE	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Investment properties		**6,471**	6,742
Property, plant and equipment		**44,032**	41,252
Right-of-use assets		**51,256**	–
Goodwill		**14,828**	35,024
Intangible assets		**11,244**	16,273
Interests in associates		**16,045**	15,575
Interests in joint ventures		**7,720**	6,660
Finance lease receivables		**8,427**	–
Deferred tax assets		**392**	331
		160,415	121,857
Current assets			
Trade receivables	*7*	**561,283**	747,516
Other receivables, deposits and prepayments		**53,197**	59,782
Contract assets		**44,863**	63,990
Financial asset at fair value through profit or loss		**952**	901
Debt investment at amortised cost		**7,580**	7,522
Finance lease receivables		**12,345**	–
Amount due from immediate holding company		**1,245**	1,245
Amounts due from joint ventures		**7,233**	3,367
Amounts due from associates		**11,730**	10,902
Amount due from a fellow subsidiary		**42**	–
Amount due from a related company		**–**	243
Loan to an associate		**200**	500
Prepaid tax		**6,341**	1,161
Pledged bank deposits		**20,720**	7,548
Bank balances and cash		**269,008**	240,733
		996,739	1,145,410

	NOTES	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and other payables	8	**402,905**	441,439
Contract liabilities		**6,464**	–
Financial liabilities at fair value through profit or loss		–	2,725
Loan from immediate holding company		**30,000**	–
Amounts due to associates		**2,763**	4,092
Amounts due to fellow subsidiaries		**128**	23,272
Amount due to a related company		–	31
Tax liabilities		**3,629**	8,202
Lease liabilities – due within one year		**47,242**	–
Obligations under finance leases – due within one year		–	173
Bank borrowings		**30,565**	189,041
		523,696	668,975
Net current assets		**473,043**	476,435
Total assets less current liabilities		**633,458**	598,292
Non-current liabilities			
Other payables – due after one year	8	**3,855**	2,919
Financial liabilities at fair value through profit or loss		–	2,022
Lease liabilities – due after one year		**23,557**	–
Obligations under finance leases – due after one year		–	74
Deferred tax liabilities		**8,933**	10,970
		36,345	15,985
		597,113	582,307
Capital and reserves			
Share capital	9	**41,676**	41,427
Reserves		**548,929**	534,694
Net assets attributable to owners of the Company		**590,605**	576,121
Non-controlling interests		**6,508**	6,186
Total equity		**597,113**	582,307

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, certain property, plant and equipment and certain financial instruments that are measured at fair values or revalued amounts, as appropriate.

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the consolidated financial statements for year ended 31 December 2019 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

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

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

Summary of effects arising from initial application of HKFRS 16 "Leases" ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFSR 16 superseded HKAS 17 "Leases" and the related interpretations.

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

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

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

2. SEGMENT INFORMATION

	Segment revenue		**Segment results**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Operating and reportable segments				
Air freight	**2,201,854**	3,129,295	**151,558**	235,173
Ocean freight	**855,276**	856,969	**119,175**	127,733
Logistics	**81,591**	76,768	**15,107**	6,413
International express and parcel	**642,349**	282,094	**65,457**	25,367
Others	**116,833**	117,677	**20,395**	27,293
Total	**3,897,903**	4,462,803	**371,692**	421,979
Other income			**15,726**	24,529
Other gains or losses			**(2,663)**	794
Unallocated corporate expenses			**(345,314)**	(313,903)
Share of results of associates			**694**	2,255
Share of results of joint ventures			**1,250**	661
Finance costs			**(7,602)**	(7,732)
Profit before taxation			**33,783**	128,583

3. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**1,523**	4,008
– Enterprise Income Tax ("**EIT**") in the People's Republic of China (the "**PRC**")	**232**	6,621
– Netherlands Corporate Income Tax	**1,227**	4,191
– Indian Corporate Income Tax	**105**	764
– Vietnam Corporate Income Tax	**1,430**	1,644
– Thailand Corporate Income Tax	**109**	229
– Malaysia Corporate Income Tax	**2,025**	1,620
– Canadian Corporate Income Tax	**793**	820
– Other jurisdictions	**1,655**	2,440
	9,099	22,337
(Over) under provision in respect of prior years		
– Hong Kong Profits Tax	**(1,960)**	(112)
– EIT in the PRC	**251**	(164)
– Other jurisdictions	**(263)**	421
	(1,972)	145
Withholding tax on dividend received	**—**	3,398
	7,127	25,880
Deferred taxation	**(1,957)**	(3,000)
	5,170	22,880

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during both financial years.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the PRC subsidiaries of the Group is taxed at 25% during both financial years.

Netherlands corporate income tax rates are progressive tax rates. The corporate income tax charge has been calculated at the tax rate between 20.0% to 25.0% during both financial years.

Indian corporate income tax is taxable at different tax rates ranging from 0% to 30% depending on taxable income for the reporting year, in accordance with Indian Income Tax Act 1961 during both financial years.

The corporate income tax in Vietnam is calculated at 20% of the estimated assessable profit. Additionally, being a small and medium enterprise, the Vietnamese subsidiary is entitled to a 30% reduction in corporate income tax during both financial years, in accordance with the Vietnamese laws.

The corporate income tax in Thailand is calculated at 20% of assessable profit during both financial years.

Malaysia corporate income tax is calculated at 24% of the estimated assessable profit during both financial years.

Income tax expense in Canada comprises federal corporate income tax and provincial corporate income tax at 15% and 11.5% respectively during both financial years.

Pursuant to the rules and regulations of the British Virgin Islands (the "**BVI**") and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**7,114**	5,953
Depreciation of property, plant and equipment	**9,187**	11,562
Depreciation of right-of-use assets	**36,972**	–
Amortisation of intangible assets (included in administrative expenses)	**5,422**	5,395
Allowance for credit losses on trade receivables recognised	**6,417**	5,505
Reversal of allowance for credit losses on trade receivables	**(559)**	(6,929)
	5,858	(1,424)
Operating lease rentals in respect of rented premises and motor vehicles	**–**	65,764
Staff costs		
Directors' emoluments	**3,709**	2,165
Other staff costs		
Staff costs excluding retirement benefit contributions	**297,095**	276,085
Retirement benefit contributions	**28,698**	27,294
Equity-settled share-based payment	**5,343**	738
Total staff costs	**334,845**	306,282
Gross rental income from investment properties	**333**	356
Less: outgoings incurred which generated rental income	**(69)**	(79)
	264	277

5. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**26,101**	104,163
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**412,895,452**	414,251,074

6. DIVIDEND

Pursuant to the resolution passed by the shareholders of the Company at the Company's annual general meeting held on 11 June 2019, a final dividend of HK3.8 cents per ordinary share in respect of the FY2018, absorbing a total amount of HK$15,742,000, was paid on 12 July 2019 to all shareholders whose names appeared on the register of members of the Company on 21 June 2019.

The Board recommended the payment of a final dividend of HK1.0 cents per ordinary share, absorbing a total amount of about HK$4,168,000, in respect of the FY2019, which is subject to the approval of the shareholders of the Company at the annual general meeting of the Company (the "**AGM**") to be held on Wednesday, 10 June 2020. The proposed final dividend is expected to be paid on Friday, 10 July 2020 to all shareholders whose names to be appeared on the register of members of the Company on Friday, 19 June 2020.

7. TRADE RECEIVABLES

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

The following is an ageing analysis of trade receivables net of allowance for credit losses, based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**321,962**	421,085
31–60 days	**152,119**	219,799
61–90 days	**49,488**	66,437
91–180 days	**31,501**	29,428
Over 180 days	**6,213**	10,767
	561,283	747,516

8. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables based on the invoice date at the end of each year:

	2019	2018
	HK$'000	*HK$'000*
Within 60 days	**256,099**	297,873
61–180 days	**10,790**	21,603
181–365 days	**1,321**	3,833
1–2 years	**1,562**	3,295
	269,772	326,604

	2019	2018
Trade and other payables analysed as:		
– current	**402,905**	441,439
– non-current	**3,855**	2,919
	406,760	444,358

9. SHARE CAPITAL

	Number of ordinary shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2018 and 31 December 2018	414,270,000	41,427
Issue of shares upon exercise of equity-settled share-based payment	2,490,000	249
At 31 December 2019	416,760,000	41,676

The shares issued rank pari passu with other shares in issue in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Board announces the audited annual results of the Group for the FY2019. During the FY2019, the demand for logistics and freight forwarding services decreased after the continued rise in the past consecutive years. Such drop was due to the trade war between China and the United States and the global macroeconomic uncertainties. This led to a drop in the demand for air freight services brought by customers in the air freight segment resulted in a reduction in the Group's revenue during the FY2019.

Financial Results

The Group recorded revenue of about HK$3,897.9 million during the FY2019 (FY2018: about HK$4,462.8 million), representing a decrease of about 12.7%. Gross profit amounted to about HK$550.9 million during the FY2019 (FY2018: about HK$595.0 million), representing a decrease of about 7.4%. Gross profit margin during the FY2019 was about 14.1% (FY2018: about 13.3%). Net profit was about HK$28.6 million during the FY2019 (FY2018: about HK$105.7 million), representing a decrease of about 72.9% while the net profit attributable to owners of the Company decreased by about 74.9% to about HK$26.1 million during the FY2019 (FY2018: about HK$104.2 million). The decrease in profit was mainly due to (a) the peripheral economic downturn caused by the trade war between China and the United States and the global macroeconomic uncertainties; (b) the decrease in demand for air freight services from customers in the air freight segment; (c) the increment of staff cost due to salary increment and recognition of expenses related to the share awards; and (d) the recognition of impairment loss on goodwill and intangible assets of about HK$20.0 million arising from the acquisition of Yizun International Freight Forwarding (Shanghai) Co., Ltd.* (翼尊國際貨運代理（上海）有限公司) ("**Best Loader Shanghai**"), which will gradually cease its business from 2020.

Segmental Analysis

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

Air Freight

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 56.5% of the Group's total revenue during the FY2019 (FY2018: about 70.1%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including "Top Agent Award" from Cathay Pacific Cargo each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

During the FY2019, the air freight forwarding business recorded revenue of about HK$2,201.9 million (FY2018: about HK$3,129.3 million), representing a decrease of about 29.6%. Gross profit of the segment also decreased from about HK$325.7 million during the FY2018 to about HK$238.6 million during the FY2019, representing a decrease of about 26.7%. In respect of air import and export tonnage, the Group noted a total decrease of tonnage of about 24.2% for the FY2019 when compared to the FY2018. During the FY2019, the Group closed one office in San Francisco. As such, 53 offices around the world remained as at 31 December 2019, out of which 47 offices are located in 11 Asian countries and territories, comprising Hong Kong, the PRC, Cambodia, India, Indonesia, Japan, Malaysia, Singapore, Thailand, the United Arab Emirates and Vietnam, two offices in Europe and four offices in America.

Ocean Freight

Contributing about 21.9% of the Group's total revenue during the FY2019 (FY2018: about 19.2%), the ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the FY2019, revenue of ocean freight segment slightly decreased by about 0.2% year-on-year to about HK$855.3 million (FY2018: about HK$857.0 million). Gross profit decreased to about HK$170.6 million during the FY2019 (FY2018: about HK$172.0 million), representing a slight decrease of about 0.8%. During the FY2019, the Group noted a decrease of tonnage of about 9.7% in respect of ocean freight shipping volume handled by the Group, which is due to the unstable market situation caused by the trade war between China and the United States.

Ancillary and Contract Logistics Services

Accounting for about 2.1% of the Group's total revenue during the FY2019 (FY2018: about 1.7%), the ancillary and contract logistics services segment includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the FY2019, the Group sought to further adjust its warehouse operation and enhance its transshipment capacities to cope with the market conditions. This segment result was reflected with revenue of about HK$81.6 million during the FY2019 (FY2018: about HK$76.8 million), representing an increase of about 6.3% and the gross profit was about HK$53.0 million during the FY2019 (FY2018: about HK$44.2 million), representing an increase of about 19.9%.

International Express and Parcel Services

International express and parcel services which mainly consist of cross-border small parcels of delivery business is the Group's fast growing business to capture the development opportunities arising from the global cross-border e-commerce business. It represents about 16.5% of the total revenue of the Group during the FY2019 (FY2018: about 6.3%). The Group considers the e-commerce platform as the new channel and leverages on the strong synergy and integration capability of domestic and foreign logistic resources, so as to increase our market penetration and proactively establish the full-chain services, which ultimately provides baskets of cross-border package delivery solutions. YTO Express Group Co., Ltd. ("**YTO Express**") possesses a strong express logistic service network covering the PRC, which provides firm supports for the Group's development of end-to-end full-chain services. As at 31 December 2019, the Group has established cross-border full-chain services and has entered into strategic cooperation with 18 postal companies or express companies in 17 countries. Through the focus on developing and nurturing the delivery of product from the PRC to Taiwan, the Group has received positive comments from customers and market recognition.

The Group responded actively to changes in markets and competitive landscapes and proactively developed the international express and parcel services market during the FY2019. Benefiting from the rapid development of e-commerce in Southeast Asia, the continuous deepening of the cooperation with Hangzhou Cainiao Supply Chain Management Co., Limited ("**Cainiao**") and the development of new customers, revenue from international express and parcel services increased from about HK$282.1 million during the FY2018 to about HK$642.3 million during the FY2019, representing a significant increase of about 127.7%. During the FY2019, the Group has completed the delivery of about 74.7 million units in international express and parcel business during the FY2019 (FY2018: about 39.6 million).

In the meantime, by imposing stringent key performance indicator management and quality control to the services of suppliers, and implementing strict cost control measures, the timing and quality of our services has been improving, thus the gross profit margin and gross profit of the international express and parcel services business has been increasing correspondingly. During the FY2019, the gross profit of international express and parcel services increased to about HK$68.4 million (FY2018: about HK$25.9 million) representing a significant growth of about 164.1%.

Others

The other businesses include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the FY2019, the other businesses recorded revenue of about HK$116.8 million (FY2018: about HK$117.7 million), representing a decrease of about 0.7%, and gross profit of about HK$20.4 million (FY2018: about HK$27.4 million), representing a decrease of about 25.5%. The decrease of gross profit for other businesses during the FY2019 was due to the decrease of volume of trucking services.

Liquidity and Financial Resources

The Group has centralised financing policies and control over all its operations which enables the Group to have a tight control of treasury operations and lower average cost of funds.

The Group's working capital as at 31 December 2019 was about HK$473.0 million, representing a slight decrease of about 0.7% from about HK$476.4 million as at 31 December 2018. The current ratio of the Group increased from about 1.71 times as at 31 December 2018 to about 1.90 times as at 31 December 2019. As at 31 December 2019, the Group's bank balances and cash amounted to about HK$269.0 million, representing an increase of about 11.8% from about HK$240.7 million as at 31 December 2018. For the FY2019, the Group had operating cash inflow of about HK$239.5 million (FY2018: operating cash inflow of about HK$63.9 million). As at 31 December 2019, the Group's outstanding bank borrowings amounted to about HK$30.6 million (as at 31 December 2018: about HK$189.0 million). The gearing ratio of the Group was about 5.1% as at 31 December 2019 (as at 31 December 2018: 32.5%). The gearing ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2019, the Group maintained a net cash position (as at 31 December 2018: net cash position). The Group will continue to secure financing as and when the need arises.

Foreign Exchange Risk

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, CAD, JPY, VND, IDR, HUF, AED and TWD among which, RMB, EUR, USD and TWD are mostly used in the Group's business apart from HK$. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HK$ is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the FY2018 and the FY2019. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the FY2019.

Capital Expenditure Commitments

As at 31 December 2019, the Group has the following capital expenditure commitments:

1. The contingent consideration of HK$2,250,000 (as at 31 December 2018: HK$4,500,000) to be determined based on the future financial performance of Best Loader Shanghai; and

2. The contingent consideration of HK$250,000 (as at 31 December 2018: HK$500,000) to be determined based on the future financial performance of Best Loader Logistics Company Limited ("**Best Loader HK**").

Please refer to the announcements of the Company dated 5 May 2017, 3 August 2018, 15 March 2019 and 30 March 2020 for further details.

Performance Guarantees

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

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

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

The 2017 NAV Guarantee and 2018 NAV Guarantee had been fulfilled. Given the fulfillment of the 2017 NAV Guarantee and the 2018 NAV Guarantee, On Time BVI had paid to the First Vendor in aggregate of HK$550,000 in cash for the payment of part of the consideration for the First Sale and Purchase Agreement. The Company's auditor is in the course of verifying the audited accounts of Best Loader HK for the year ended 31 December 2019. The Company will publish a further announcement to inform the Shareholders and its potential investors whether Best Loader HK has achieved the 2019 NAV Guarantee after the determination of the 2019 Accounts.

Please refer to the announcements of the Company dated 5 May 2017, 3 August 2018, 15 March 2019 and 30 March 2020 for further details in respect of the acquisition and the fulfillment of performance guarantees.

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

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

After the determination of the 2017 SH Accounts, the 2018 SH Accounts and the 2019 SH Accounts, respectively, On Line HK shall pay to the First Vendor the remaining balance of the purchase price in the following manner: (i) HK$2.7 million to the First Vendor if the 2017 SH NAV Guarantee is fulfilled; (ii) HK$2.25 million to the First Vendor if the 2018 SH NAV Guarantee is fulfilled; and (iii) HK$2.25 million to the First Vendor if the 2019 SH NAV Guarantee is fulfilled.

The 2017 SH NAV Guarantee and 2018 SH NAV Guarantee had been fulfilled. Given the fulfillment of the 2017 SH NAV Guarantee and the 2018 SH NAV Guarantee, On Line HK had paid to the First Vendor in aggregate of HK$4,950,000 in cash for the payment of part of the consideration for the Second Sale and Purchase Agreement. Based on the 2019 SH Accounts, the net assets value of Best Loader Shanghai for the financial year ended 31 December 2019 was about RMB12.2 million (equivalent to about HK$13.6 million). Therefore, the 2019 SH NAV Guarantee had been fulfilled. Given the fulfillment of the 2019 SH NAV Guarantee, On Line HK is expected to pay to the First Vendor HK$2.25 million in cash for payment of the final part of the consideration for the Second Sale and Purchase Agreement.

Please refer to the announcements of the Company dated 5 May 2017, 3 August 2018, 15 March 2019 and 30 March 2020 for further details in respect of the acquisition and the fulfillment of performance guarantees.

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

Jumbo Channel Limited ("**Jumbo Channel**"), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 9 March 2018 (the "**Third Sale and Purchase Agreement**") with, among others, T.Y.D. Holding B.V. (the "**Second Vendor**"), in relation to the acquisition of the remaining 25% equity interest in the issued share capital of OTX Logistics B.V. ("**OTX Logistics Holland**"). Pursuant to the Third Sale and Purchase Agreement, the Second Vendor undertakes to Jumbo Channel that: (i) in the event that the sum of the audited consolidated net profits after tax of OTX Logistics Holland as stated in the audited accounts of the Company for each of the financial years ended 31 December 2017, 2018 and 2019, respectively, adjusted by any revaluation surplus or deficit of tangible or intangible assets (the "**Accumulated Consolidated Net Profit**"), shall be less than HK$18.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK$3,330,000 after completion of the audited accounts of OTX Logistics Holland for the financial year ended 31 December 2019 (the "**2019 Holland Accounts**"); (ii) in the event that the Accumulated Consolidated Net Profit shall be less than HK$12.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK$6,660,000 after completion of the 2019 Holland Accounts; and (iii) in the event that the Accumulated Consolidated Net Profit shall be less than HK$6.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK$10.0 million after completion of the 2019 Holland Accounts. Based on the 2019 Holland Accounts, the Accumulated Consolidated Net Profit was not less than HK$18.0 and the profit guarantee has been fulfilled. Given the fulfillment of the 2019 Holland Accounts, the Second Vendor does not need to compensate Jumbo Channel pursuant to the Third Sale and Purchase Agreement.

Please refer to the announcements of the Company dated 9 March 2018 and 30 March 2020 and the circular of the Company dated 3 April 2018 for further details in respect of the acquisition and the fulfillment of performance guarantees.

Charge on Assets

As at 31 December 2019, the Group had pledged the following assets to secure certain banking facilities representing guarantees on payment to certain airline suppliers of the Group for the Group's cargo space purchase and bank borrowings granted to the Group:

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**50**	88,845
Financial asset at fair value though profit or loss	**952**	901
Debt investment at amortised cost	**7,580**	7,522
Pledged bank deposits	**20,720**	7,548
	29,302	104,816

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019, the Group acquired the entire issued shares of YTO Courier (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability. The consideration for such acquisition was HK$6,940,000 and was satisfied in cash. Completion for such acquisition took place on 30 March 2020. Please refer to the Company's announcement dated 30 March 2020 for further details.

The global outbreak of the novel coronavirus ("**COVID-19**") and the subsequent quarantine measures as well as the travel restrictions imposed by the governments of various countries in early 2020 have had a negative impact on the operations of the Group, as it worsens the trading environment globally which affects logistics business of the Group. The Group has assessed the impact of the outbreak of COVID-19 on its operation and taken the necessary measures to limit and minimize the impact to a lower level. The Group will continue to monitor the global situation and its effect on the trading environment as well as the logistics industry and make timely responses and measures in the future.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries or associated companies of the Company during the FY2019.

PROSPECTS

At the end of 2019, the Phase-One Deal has eased the trading tension between China and USA which was a positive sign for a more stable development of global trade. However, due to the outbreak of COVID-19, the global market is facing great challenges. Governments of a number of countries announced that they will or have implemented the border controls or national emergency. This will generate a huge negative effect on the global trade and impact on the business development of the Group in FY2020.

There are great opportunities even during the crisis. Due to the excellent epidemic prevention and control, China is recovering from the COVID-19. The Group believes that China's industrial products and consumer goods will take up more market shares in the near future. During the outbreak of COVID-19, the Group expects the public will be more used to online shopping to avoid going to public areas, which may promote the penetration rate of e-commerce in some countries. Therefore, the Group supposes that the ecommerce will be blooming up around the world in FY2020, especially cross-border ecommerce exporting from China to the rest of world. There are great opportunities for the companies which own a complete service network in China and an extensive overseas service coverage. Thus, the Group will seize these opportunities to further expand its international express business in the future, through the following ways:

Continue To Improve the International Service Capabilities

Following with the globalization strategy, "going global with the 'Belt and Road' initiative, going global with Chinese and Chinese enterprises, and going global with cross-border e-commerce industry", the Group will continue to improve its service coverage around world in the future, especially the Southeast Asia. According to the recent market research conducted by Google and Temasek, the market of Southeast Asian e-commerce economy is one of the fastest growing markets. Therefore, the Group intends to implement more investment and strategical plan in this area, and develop more business in this year based on the success of Chinese mainland and Taiwan Region.

The Group is planning to further utilize the resources of YTO Express to enhance the international freight capacity. Benefiting from Hangzhou Yuantong Cargo Airlines Co., Ltd. (杭州圓通貨運航空有限公司), which is wholly owned subsidiary of YTO Express, the Group can work with them smoothly and provide the highly-qualified air freight service for customers. Furthermore, the Group intends to strengthen its cooperation with the other subsidiaries of YTO Express around the world and further integrate the parent company's resources to expand overseas business. In future, the Group will complete the internal integration between the overseas subsidiaries of YTO Express and the original subsidiaries of the Group. That enables the Group to expand the service coverage and cut down the cost as well.

Meanwhile, working with the external strategical partners, the Group will continue to improve the end-to-end service in the specific countries and areas based on the previous investment, such as Vietnam and Thailand. According to the globalization plan, the Group also accelerate the construction of logistic routes in countries along the "Belt and Road" routes. The Group is working with the strategic partners, like Cainiao, so as to construct regional logistics gateways and regional international logistic hub in the PRC and other countries. That could enable the Group to obtain the key resources, such as the airline, railway, warehouse etc., and further complements the Group's operational capabilities in the key countries.

Based on the above strategic planning, the Group expects to obtain the highly-qualified services capacities for the customers and enhance market competitiveness to win more market shares of cross-border ecommerce.

Strengthen Overseas Agency Network and Cooperation with Chinese Overseas Enterprises

In the FY2020, the Group will continue to strengthen the overseas agency network for developing the business. Based on the existing agents in the freight forwarding industry, the Group will introduce the express delivery service for them. That could enrich the service matrix when the agents develop the business for their customers. It is clear that the Group can dig further new value in the existing market. Furthermore, the Group is planning to strengthen the partner relationship with our agents in many aspects, such as by way of joint sales, and introducing ecommerce solution or other specialized logistic solutions. The Group is willing to work with our agents to expand our business and deepen our cooperation in many ways. This will effectively improve all of our profitability in this difficult situation.

Meanwhile, the Group intends to strengthen the cooperation with the Chinese enterprises around the world. According to the Group's globalization strategy, the Chinese and Chinese enterprises are one of the most important target customers for the Group. Leveraging the brand and public relationship of YTO Express in China, the Group will be more efficient to get in touch with the Chinese overseas enterprises and achieve the strategic cooperation. That enables the Group to expand the business in the countries and regions where the company has never been involved before.

Further Develop the Specialized Service Capacities of Supply-Chain Management

Benefiting from the previous experience on aviation materials, medicines and automobiles, the Group has established capacities of the supply service. In the future years, the Group intends to further develop this specialized service capacities to expand the business into other market segment. Thus, through utilizing the resources of YTO Express, such as warehouses, IT system, and automation equipment, the Group can develop the business into new segments. Meanwhile, the Group intends to establish the e-commerce platform to assist the small and medium enterprises to export products to PRC. This platform will integrate the full supply-chain services and customs clearance services. That enables the Group to obtain the one-stop service for customers who are willing to develop online channel and cross-border ecommerce.

Enhance IT Application Capacity and Promote Digitalization

The Group will continue to focus on the promotion of digitalization, which aims at improving the operational efficiency and management efficiency. The Group is willing to increase the IT system investment to upgrade the current system and build a system which fully meet the requirement for its business development. Therefore, the Group will work with YTO Express and learn from the experience of YTO Express's IT system in the whole process management and digital transformation. Specifically, the Group will unify the data interfaces and build the data process platform to improve the internal and external data analysis. That enable the Group to obtain the ability of big data analysis gradually, so as to achieve the shift to smart and intelligent corporate management and improve the efficiency and cut down the cost effectively as well.

It is expected that the Group will implement the above plans by its internal resources and/or external financing.

HUMAN RESOURCES

As at 31 December 2019, the Group employed about 1,070 employees (as at 31 December 2018: about 1,130 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. Training activities have also been conducted to improve the performance of sales and marketing activities and customer services.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the FY2019.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK1.0 cents (2018: HK3.8 cents) per ordinary Share, absorbing a total amount of about HK$4,168,000 (2018: HK$15,742,000), in respect of the FY2019, which is subject to the approval of the Shareholders at the AGM to be held on Wednesday, 10 June 2020. The proposed final dividend is expected to be paid on Friday, 10 July 2020 to all Shareholders whose names to be appeared on the register of members of the Company on Friday, 19 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 5 June 2020 to Wednesday, 10 June 2020 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming AGM. In order to be qualified for attending and voting at the forthcoming AGM, 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, 4 June 2020.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the forthcoming AGM, the register of members of the Company will also be closed from Wednesday, 17 June 2020 to Friday, 19 June 2020 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the FY2019. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the forthcoming AGM), 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 the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 16 June 2020.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the FY2019 as set out in this announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the FY2019. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the FY2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing the Directors' securities transactions during the FY2019.

AUDIT COMMITTEE

The Company has established an audit committee which comprises one non-executive Director, namely, Mr. Lin Kai, and two independent non-executive Directors, namely, Mr. Chung Kwok Mo John and Mr. Li Donghui. Mr. Chung Kwok Mo John is the chairman of the audit committee.

The audit committee of the Company has discussed with the management of the Group and reviewed the audited consolidated financial results of the Group for the FY2019, including accounting principles and practices adopted by the Group, and discussed the financial reporting system and the risk management and internal control systems of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange and the Company. The annual report for the FY2019 will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By order of the Board of
YTO Express (International) Holdings Limited
圓通速遞（國際）控股有限公司
Yu Huijiao
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Lam Chun Chin, Spencer and Mr. Huang Yifeng; four non-executive Directors, namely Mr. Yu Huijiao, Mr. Pan Shuimiao, Mr. Li Xianjun and Mr. Lin Kai; and three independent non-executive Directors, namely, Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John.