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## **YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED**

**圓通速遞(國際)控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 6123)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **FINANCIAL HIGHLIGHTS**

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

- **the Group's revenue amounted to about HK\$3,038.3 million, representing an increase of about 38.0% as compared to that of the corresponding period of 2020 (1H2020: about HK\$2,201.3 million);**
- **the Group recorded a profit attributable to equity shareholders of the Company of about HK\$97.0 million (1H2020: HK\$95.5 million);**
- **segment gross profit of air freight business recorded a drop of about 53.2% as compared to that of the corresponding period of 2020, to about HK\$77.3 million (1H2020: about HK\$165.0 million); and**
- **segment gross profit of international express and parcel services business recorded a significant increase as compared to that of the corresponding period of 2020, to about HK\$79.4 million (1H2020: about HK\$41.7 million).**

The board (the “**Board**”) of directors (the “**Directors**”) of YTO Express (International) Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”). The relevant financial figures for the six months ended 30 June 2020 (the “**1H2020**”) or other dates/periods are also set out in this announcement for comparative purposes.

The interim results of the Group for the Reporting Period is unaudited, but have been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the interim results have been reviewed by the Company's audit committee.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
	NOTES	HK\$'000	HK\$'000
<b>Revenue</b>	2	3,038,312	2,201,295
Cost of sales		<u>(2,710,117)</u>	<u>(1,829,320)</u>
Gross profit		328,195	371,975
Other income		7,115	8,392
Administrative expenses		(212,959)	(252,950)
Net impairment loss reversed (recognised) under expected credit loss model		5,253	(8,580)
Other gains or losses		(8,511)	44
Share of results of associates		(90)	811
Share of results of joint ventures		368	202
Finance costs		<u>(2,186)</u>	<u>(2,454)</u>
Profit before taxation		117,185	117,440
Income tax expense	3	<u>(17,520)</u>	<u>(20,835)</u>
<b>Profit for the period</b>	4	<u>99,665</u>	<u>96,605</u>
<b>Profit for the period attributable to:</b>			
Equity shareholders of the Company		96,992	95,456
Non-controlling interests		<u>2,673</u>	<u>1,149</u>
		<u>99,665</u>	<u>96,605</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>			
Basic	5	<u>23.40</u>	<u>23.03</u>
Diluted	5	<u>22.97</u>	<u>23.03</u>

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

*For the six months ended 30 June 2021*

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<u>99,665</u>	<u>96,605</u>
<b>Other comprehensive income for the period</b> <b>(after tax and reclassification adjustments):</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus on revaluation of leasehold land and buildings	262	57
Deferred tax arising on revaluation of leasehold land and buildings	(13)	35
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of associates	(40)	(232)
Share of other comprehensive income of joint ventures	(282)	3
Exchange difference arising from foreign operations	(7,475)	(4,398)
Reclassification adjustment upon disposal of a subsidiary	<u>–</u>	<u>(446)</u>
<b>Other comprehensive income for the period</b>	<u>(7,548)</u>	<u>(4,981)</u>
<b>Total comprehensive income for the period</b>	<u><u>92,117</u></u>	<u><u>91,624</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	89,967	90,454
Non-controlling interests	<u>2,150</u>	<u>1,170</u>
<b>Total comprehensive income for the period</b>	<u><u>92,117</u></u>	<u><u>91,624</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2021*

		(Unaudited) 30 June 2021	(Audited) 31 December 2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		6,647	6,593
Property, plant and equipment		53,161	54,779
Right-of-use assets		150,853	140,888
Goodwill		16,293	16,188
Intangible assets		5,964	7,505
Interests in associates		3,082	15,066
Interests in joint ventures		9,872	9,786
Deferred tax assets		1,380	2,706
		247,252	253,511
<b>Current assets</b>			
Trade receivables	7	873,582	772,812
Other receivables, deposits and prepayments		91,414	81,689
Contract assets		86,636	46,046
Financial asset at fair value through profit or loss		893	896
Debt investment at amortised cost		7,019	7,463
Finance lease receivables		1,930	8,388
Amount due from an intermediate holding company		2	2
Amount due from immediate holding company		119	–
Amounts due from joint ventures		17,566	4,102
Amounts due from associates		15,049	12,548
Amounts due from fellow subsidiaries		17,043	–
Prepaid tax		3,170	2,422
Pledged bank deposits		12,531	7,633
Bank balances and cash		454,712	491,932
		1,581,666	1,435,933

		<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2021</b>	<b>2020</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	8	588,074	556,239
Contract liabilities		41,623	36,043
Dividend payables		25,422	–
Amounts due to associates		–	1,172
Amounts due to fellow subsidiaries		30,554	35,854
Tax liabilities		23,221	10,957
Lease liabilities		40,997	44,066
Bank borrowings		1,369	1,067
		<u>751,260</u>	<u>685,398</u>
<b>Net current assets</b>		<u>830,406</u>	<u>750,535</u>
<b>Total assets less current liabilities</b>		<u>1,077,658</u>	<u>1,004,046</u>
<b>Non-current liabilities</b>			
Other payables	8	3,940	3,889
Lease liabilities		127,807	121,371
Deferred tax liabilities		9,444	13,649
		<u>141,191</u>	<u>138,909</u>
<b>Net assets</b>		<u><u>936,467</u></u>	<u><u>865,137</u></u>
<b>Capital and reserves</b>			
Share capital		41,676	41,676
Reserves		882,157	815,727
		<u>923,833</u>	<u>857,403</u>
Total equity attributable to equity shareholders of the Company		<u>923,833</u>	<u>857,403</u>
Non-controlling interests		12,634	7,734
		<u>12,634</u>	<u>7,734</u>
<b>Total equity</b>		<u><u>936,467</u></u>	<u><u>865,137</u></u>

## NOTES

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim results set out in this preliminary announcement do not constitute the Group's interim financial report for the six months ended 30 June 2021 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the HKICPA. It should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("**HKFRSs**"), the accounting policies and methods of computation used in the interim financial report for the six months ended 30 June 2021 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

#### Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs for the current accounting period of the Group.

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report to be sent to the shareholders. In addition, the interim financial report has been reviewed by the Group's Audit Committee.

## 2. REVENUE AND SEGMENT INFORMATION

### Segment revenue and results

	(Unaudited) Segment revenue		(Unaudited) Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating and reportable segments				
Air freight	1,404,840	1,410,266	77,318	164,980
Ocean freight	793,375	326,411	73,582	46,474
Logistics	35,748	42,134	4,884	9,130
International express and parcel	744,284	320,244	79,413	41,733
Others	60,065	102,240	17,327	22,300
	<u>3,038,312</u>	<u>2,201,295</u>		
Total			252,524	284,617
Other income			7,115	8,392
Other gains or losses			(8,511)	44
Unallocated corporate expenses			(132,035)	(174,172)
Share of results of associates			(90)	811
Share of results of joint ventures			368	202
Finance costs			<u>(2,186)</u>	<u>(2,454)</u>
Profit before taxation			<u>117,185</u>	<u>117,440</u>

### 3. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	15,313	11,160
– Enterprise Income Tax in the People’s Republic of China (the “PRC”)	532	4,599
– Vietnam Corporate Income Tax	1,152	498
– Malaysia Corporate Income Tax	468	914
– Canadian Corporate Income Tax	–	310
– Other jurisdictions	2,102	1,109
	<u>19,567</u>	<u>18,590</u>
(Over) under provision in respect of prior years		
– Hong Kong Profits Tax	(380)	293
– Other jurisdictions	196	(367)
	<u>(184)</u>	<u>(74)</u>
Withholding tax on dividend received	<u>832</u>	<u>–</u>
Deferred taxation	20,215	18,516
	<u>(2,695)</u>	<u>2,319</u>
	<u>17,520</u>	<u>20,835</u>

#### 4. PROFIT FOR THE PERIOD

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	5,815	4,974
Depreciation of right-of-use assets	19,346	21,932
Amortisation of intangible assets	2,235	2,027
Net exchange loss	629	689
Gain on bargain purchase	–	(673)
	<u>          </u>	<u>          </u>

#### 5. EARNINGS PER SHARE

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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the Company)	<u>96,992</u>	<u>95,456</u>

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	414,560	414,560
Effect of dilutive potential ordinary shares on share award plan	<u>7,564</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>422,124</u>	<u>414,560</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares purchased under share award plan.

Diluted earnings per share equaled basic earnings per share for the six months ended 30 June 2020 because the dilutive potential ordinary shares outstanding were anti-dilutive.

## 6. DIVIDEND

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend for the year ended 31 December 2020 of HK6.1 cents (31 December 2019: HK1.0 cents) per share	<u>25,422</u>	<u>4,168</u>

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

## 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 invoice date, which are approximately the respective revenue recognition dates, at each of the Reporting Period:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	569,098	516,850
31–60 days	200,329	182,501
61–90 days	61,027	54,174
91–180 days	34,167	13,382
Over 180 days	<u>8,961</u>	<u>5,905</u>
	<u>873,582</u>	<u>772,812</u>

## 8. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables, presented based on the invoice date at the end of the Reporting Period:

	<b>(Unaudited)</b> <b>30 June</b> <b>2021</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>31 December</b> <b>2020</b> <i>HK\$'000</i>
Within 60 days	367,061	325,199
61–180 days	13,628	36,428
181–365 days	1,048	2,116
Over 1 year	1,842	1,911
	<hr/>	<hr/>
	<b>383,579</b>	<b>365,654</b>
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## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, the overall demand for logistics and freight forwarding services recovered significantly from the COVID-19 pandemic, leading to a substantial increase in the Group's revenue. Nonetheless, limited supply in cargo space boosted up the Group's cost of air freight forwarding and led to a drop in the gross profit. With better control over expenses, the net profit slightly increased during the Reporting Period as compared to the corresponding period in 2020.

#### **Global trade recovers significantly from the COVID-19 pandemic, but the Delta variant creates uncertainty**

According to the Global Trade Update released by the United Nations Conference on Trade and Development (“UNCTAD”) in May 2021, global trade recovered significantly from the COVID-19 pandemic in the first quarter of 2021, setting a new record of a year-on-year growth of 10% and quarter-on-quarter growth of 4%. The overall forecast for 2021 indicates an increase in global trade of about 16% as compared to the lowest point in 2020 (commodity trade is expected to increase by 19% and service trade is expected to increase by 8%). It is estimated that global trade in goods and services will reach US\$6.6 trillion in the second quarter of 2021, representing a year-on-year increase of about 31% as compared with the lowest point in 2020, and a year-on-year increase of about 3% compared to the level before the outbreak of the COVID-19 pandemic.

Although the global vaccination plan is accelerating, the emergence of the Delta variant casts a shadow over the resumption of economic activities. The World Health Organization mentioned in mid-May 2021 that the time to resume international travel has not yet come. The development of international tourism, consumption and international logistics business will still inevitably be affected in the short term. But optimistically, as the global vaccination rate has exceeded 3 billion and the vaccination rate per hundred people in certain developed countries has exceeded 90 as of 30 June 2021, the mainstream economies have shown a strong recovery. The Group will maintain a cautiously optimistic forecast for economic development and business expansion in the second half of the year.

#### **E-commerce development is further accelerated due to the pandemic, Chinese manufacturing further promotes cross-border e-commerce exports**

According to a report released by the UNCTAD in May this year, due to the lockdown caused by the COVID-19 pandemic, the rapid growth of global e-commerce has led to an increase of online retail as a percentage of retail sales in all segments from 16% to 19% and the sales reached US\$26.7 trillion. Therefore, the Group believes that e-commerce is one of the few industries that have made considerable progress from the pandemic. As logistics and freight forwarding is a major part of e-commerce, the Group is optimistic about the development of its business.

The rapid recovery and steady growth of China's economy from the pandemic has further promoted cross-border e-commerce and export. According to the preliminary reviews shown in the first half of 2021 based on the National Economic Review published by the National Statistics Bureau of China, the country's GDP totaled RMB53,216.7 billion, representing a year-on-year increase of 12.7% at comparable prices. The strong productivity of the Chinese manufacturing industry will further promote the export of Chinese commodity and cross-border e-commerce, and provide the Group with more market opportunities in the post-pandemic era.

## **FINANCIAL RESULTS**

The Group's revenue during the Reporting Period was mainly contributed by the air freight, ocean freight and international express and parcel services segments. During the Reporting Period, the Group recorded revenue of about HK\$3,038.3 million (1H2020: about HK\$2,201.3 million), representing a period-on-period increase of about 38.0%. Gross profit amounted to about HK\$328.2 million (1H2020: about HK\$372.0 million), representing a period-on-period decrease of about 11.8%. Gross profit margin decreased to about 10.8% (1H2020: about 16.9%), while the net profit attributable to equity shareholders of the Company increased slightly to about HK\$97.0 million (1H2020: HK\$95.5 million), representing a period-on-period increase of about 1.6%. The increase in profit attributable to equity shareholders of the Company was mainly attributable to the better control over expenses of the Group and the reversal of impairment loss recognised under expected credit loss model.

## **SEGMENTAL ANALYSIS**

The Group's core businesses are air and ocean freight forwarding, complemented by the 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 be the largest business segment of the Group, representing about 46.2% of the Group's total revenue during the Reporting Period (1H2020: about 64.1%). Services offered by the Group mainly include arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing for the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including "Top Agent Award" from Cathay Pacific Cargo each year

since 2006. Consequently, the Group has become one of the preferred business partners of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$1,404.8 million (1H2020: about HK\$1,410.3 million), representing a decrease of about 0.4% as compared to the corresponding period of 2020. Gross profit of the segment also decreased from about HK\$209.8 million in the corresponding period of 2020 to about HK\$114.8 million during the Reporting Period, representing a period-on-period decrease of about 45.3%. The decrease in revenue and gross profits of air freight business is due to the drop in the supply of cargo space which boost up the cost for air freight forwarding.

### **Ocean Freight**

Contributed about 26.1% of the Group's total revenue during the Reporting Period (1H2020: about 14.8%), the ocean freight forwarding business of the Group principally involves organising of shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the Reporting Period, revenue of ocean freight segment increased by about 143.1% period-on-period to about HK\$793.4 million (1H2020: about HK\$326.4 million). Gross profit increased to about HK\$96.4 million (1H2020: about HK\$68.2 million) due to the increase in the demand in ocean freight services resulted from the recovery of global trade.

### **Logistics Services**

Accounting for about 1.2% (1H2020: about 1.9%) of the Group's total revenue during the Reporting Period, the Group's services offered under the logistics services segment include warehousing, distribution and customs clearance. Warehousing includes picking and packing, labelling, quality inspection, sorting, picking-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation and enhance its transshipment capacities to cope with the market conditions. This segment achieved revenue of about HK\$35.7 million (1H2020: about HK\$42.1 million) and gross profit of about HK\$17.4 million (1H2020: about HK\$27.0 million) during the Reporting Period.

## **International Express and Parcel Services**

International express and parcel services is one of the Company's emerging businesses in recent years which mainly consist of cross-border delivery of small parcels. As more consumers are willing to purchase through cross-border e-commerce under the pandemic, the Company conforms to market needs, continues to explore and forge ahead, and thereby maintains a relatively high level of business growth. This segment accounted for about 24.5% (1H2020: about 14.5%) of the Group's total revenue during the Reporting Period. The Company will continue to pay attention to the cross-border e-commerce market and consumer needs and committing to provide high-quality cross-border parcel logistics services for e-commerce platforms, merchants, and consumers.

Benefiting from the rapid recovery and steady growth of manufacturing and exports in China, the Group has actively explored the international quick-click parcel service market in the first half of 2021. Through the continuous deepening of the cooperation with Hangzhou Cainiao Supply Chain Management Co., Limited and the development of new customers, revenue from international express and parcel services increased from about HK\$320.2 million in 1H2020 to about HK\$744.3 million during the Reporting Period, representing a significant increase of about 132.4%. During the Reporting Period, the Group has completed the delivery of about 61 million units of parcel under the international express and parcel services (1H2020: about 29 million). In the first half of 2021, the gross profit of international express and parcel services increased to about HK\$82.2 million (1H2020: approximately HK\$44.7 million), representing an increase of about 83.9%.

## **Others**

Other businesses of the Group include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other businesses segment recorded revenue of about HK\$60.1 million (1H2020: about HK\$102.2 million) and gross profit of about HK\$17.3 million (1H2020: about HK\$22.3 million). The gross profit margin of other businesses increased from 21.8% in 1H2020 to 28.8% during the Reporting Period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has centralized financing policies and control over all its operations which enables the Group to have a tight control of its treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2021 was about HK\$830.4 million, representing an increase of about 10.6% from about HK\$750.5 million as at 31 December 2020. The current ratio of the Group slightly increased from about 2.10 times as at 31 December 2020 to about 2.11 times as at 30 June 2021.

As at 30 June 2021, the Group's bank balances and cash amounted to about HK\$454.7 million, representing a decrease of about 7.6% from about HK\$491.9 million as at 31 December 2020. For the Reporting Period, the Group had operating cash outflow of about HK\$8.3 million (1H2020: operating cash inflow of about HK\$127.9 million). As at 30 June 2021, the Group's outstanding bank borrowings amounted to about HK\$1.4 million (as at 31 December 2020: about HK\$1.1 million). The gearing ratio of the Group was about 0.1% as at 30 June 2021 (as at 31 December 2020: about 0.1%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2021 and as at 31 December 2020, the Group maintained a net cash position.

## **FOREIGN EXCHANGE RISK**

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, JPY, VND, IDR, KRW, AED and TWD among which, RMB, EUR, USD and TWD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately affected by the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2020. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.

## **SIGNIFICANT INVESTMENTS**

During the six months ended 30 June 2021, the Group did not hold any material investments.

## **CAPITAL EXPENDITURE COMMITMENTS**

As at 30 June 2021, the Group has capital expenditure commitments of HK\$250,000 (as at 31 December 2020: HK\$250,000). Such capital expenditure commitments were in relation to the contingent consideration of 翼尊國際貨運代理(上海)有限公司 (Best Loader Logistics (Shanghai) Company Limited\*) ("**Best Loader Shanghai**") and Best Loader Logistics Company Limited ("**Best Loader HK**"). Please refer to the section "Performance Guarantees" below for further details.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, save as disclosed in the above paragraph headed "capital expenditure commitments", the Group did not have any other significant contingent liabilities.

## PERFORMANCE GUARANTEES

### 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 “**Sale and Purchase Agreement**”) with Air Partner Logistics Company Limited, as vendor (the “**Vendor**”) and Ms. Chan Yi Lam, as guarantor for the Vendor (the “**Guarantor**”), in relation to the acquisition of the entire issued shares of Best Loader HK. Pursuant to the Sale and Purchase Agreement, the Vendor undertakes and guarantees to On Time BVI that (i) the net assets value of Best Loader HK for the year ended 31 December 2017 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2017 Accounts**”), will be no less than HK\$3.0 million (the “**2017 NAV Guarantee**”); (ii) the net assets value of Best Loader HK for the year ended 31 December 2018 in accordance with HKFRS, which shall be verified by the Company’s auditor (the “**2018 Accounts**”), will be no less than HK\$4.7 million (the “**2018 NAV Guarantee**”); and (iii) the net assets value of Best Loader HK for the year 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 Vendor the remaining balance of the purchase price in the following manner: (i) HK\$300,000 to the Vendor if the 2017 NAV Guarantee is fulfilled; (ii) HK\$250,000 to the Vendor if the 2018 NAV Guarantee is fulfilled; and (iii) HK\$250,000 to the Vendor if the 2019 NAV Guarantee is fulfilled.

Given that the 2017 NAV Guarantee and the 2018 NAV Guarantee had been fulfilled. On Time BVI had paid to the Vendor in aggregate of HK\$550,000 in cash as payment of part of the consideration for the Sale and Purchase Agreement. On 4 August 2020, On Time BVI and, among other, the Guarantor entered into a supplemental agreement to the Sale and Purchase Agreement (the “**Supplemental Agreement**”) in relation to the payment of the final part of the consideration for the Sale and Purchase Agreement of HK\$250,000 (the “**Final Instalment**”) and the settlement of certain outstanding accounts receivables of Best Loader HK which amounted to approximately HK\$2.0 million (the “**Outstanding Accounts Receivables**”). Under the Supplemental Agreement, it was agreed that the payment date of the Final Instalment shall be extended to 4 August 2021 (the “**Deadline**”) and such payment is conditional upon Best Loader HK having received the Outstanding Accounts Receivables of aggregate amounts exceeding HK\$300,000 as of the Deadline. Best Loader HK has received the Outstanding Accounts Receivables of aggregate amounts exceeding HK\$300,000 as of the Deadline. As such, On Time BVI has paid the Final Instalment to the Vendor.

Please refer to the announcements of the Company dated 5 May 2017, 3 August 2018, 15 March 2019, 30 March 2020, 4 August 2020 and 4 August 2021 for further details in respect of the acquisition, update on the fulfillment of performance guarantees and the Supplemental Agreement.

## **CHARGE ON ASSETS**

As at 30 June 2021, certain of the Group's financial asset at fair value through profit or loss of about HK\$893,000 (as at 31 December 2020: about HK\$896,000), debt investment at amortised cost of about HK\$7.0 million (as at 31 December 2020: HK\$7.5 million) together with short-term bank deposits of about HK\$12.5 million (as at 31 December 2020: about HK\$7.6 million) were pledged to secure certain banking facilities granted to the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no events causing material impact on the Group from the end of the Reporting Period to the date of this announcement.

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

On 1 January 2021, On Time BVI entered into the sale and purchase agreement with Ms. He Xiaoli, pursuant to which Ms. He Xiaoli has agreed to sell, and On Time BVI has agreed to purchase, the 1,800 ordinary shares in On Time Worldwide Logistics Ltd. (“**OT Korea**”), representing 3% of the entire issued shares in OT Korea, at the consideration of HK\$750,000, subject to and in accordance with the terms and conditions of the sale and purchase agreement. Upon completion, the Group's interest in OT Korea is 51% and OT Korea became an indirect non-wholly owned subsidiary of the Company.

Saved as disclosed, there was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Reporting Period.

## **PROSPECTS**

As the first half of 2021 has passed, the Company remains optimistic about the development of international trade and international logistics industry in the post-pandemic era. The improvement of global production and consumption, which declined previously due to the pandemic, and the steady recovery of major economies as stimulated by governments' fiscal and monetary policies put the Company in a highly positive position toward future business development. The Company intends to focus on some key areas that will have impacts on its businesses this year.

## **Global trade experiences accelerated rebound amid the strong recovery of global economy**

According to data of the World Trade Organization, exports of the United States, 27 member countries of the European Union, China and Japan witnessed significant year-on-year growth of 52.83%, 68.07%, 32.39% and 36.31% respectively in April 2021, and the absolute value of exports exceeded the level of the corresponding period of 2019. The Company believes that the recovery of global production and manufacturing, the rebound of consumption and the steady release of demands for international commodity and service trade will continue to support the growth of the relevant businesses.

## **The sustained rapid growth of China's economy boosts international trades to rise to the pre-pandemic level**

Data of national economic performance for the first half of 2021 released by the National Bureau of Statistics show that, in the first half of 2021, China's GDP recorded a year-on-year growth of 12.7%, representing an increase of 1.3% from the second quarter of 2020 and indicating a strong and sustained recovery momentum. In the first half of 2021, the total value of China's import and export of goods grew by 27.1% year on year, with exports growing by 28.1% and imports growing by 25.9%. The data indicate that the global market has a deeper dependence on "Made in China" products and the Chinese consumer market, and Chinese enterprises and consumers further integrate into the global economy. The year of 2021 is still a critical opportunity for the international business to grow rapidly, and the Company believes that the positive development of China's macro economy will also be favorable to its future business expansion.

## **The release of demands stimulates the price of international logistics to a high level, and air freight demands remain strong**

According to the global air freight data recently released by the International Air Transport Association, in May 2021, global air freight demands grew by 9.4% as compared with those of May 2019. With the seasonal adjustment, demands in global air freight in May 2021 attained a month-on-month growth of 0.4% and maintained the increasing trend for 13 consecutive months. On the supply side, the international air capacity is recovering gradually, but the capacity of May 2021 is still 9.7% lower than the pre-pandemic level (May 2019). As the cost of container transport continues to rise, the competitiveness of international air freight improves relatively and further boosts demands for international air logistics. The Company believes that while relying on the Chinese market, it will strengthen its core competitiveness with high-quality routes and air freight resources.

## **Cross-border e-commerce is still a blue sea with opportunities and challenges**

Cross-border e-commerce is becoming a new development trend for international trade. According to statistics of the General Administration of Customs, the total value of China's cross-border e-commerce imports and exports reached RMB1.69 trillion in 2020, representing a growth of approximately 31.1%, with exports growing by approximately

40.1% and imports growing by approximately 16.5%, which is much higher than the growth of international trade. Over the past five years, the scale of cross-border e-commerce imports and exports has expanded by nearly 10 times. The Company believes that, in both short term and long term, cross-border e-commerce will be its business focus and the core growth point in the coming years, and the Company will continue to invest in relevant businesses and infrastructures. In the meantime, under the backdrop of consumer behavior changes in the post-pandemic era, the Company will benefit from the rapid growth of upstream industry demands, and the international express and parcel market will flourish as well.

Based on the foregoing, the Company believes that it will face more opportunities and challenges in the second half of 2021, but it will secure business growth by leveraging its industry advantages accumulated over the years, resources of the parent company and the strong strategic cooperation with partners. Hence, while basing on the strategic direction set at the beginning of the year, the Company will focus on the construction of agency network and the expansion of its small parcels business to Southeast Asia in the second half of 2021 and invest more resources to achieve breakthroughs.

#### **Further invest in the construction of agency network and enhance strategic partnerships**

The agency network is the cornerstone of the Company's businesses, and the more-than-expected performance the Company achieved in the times of pandemic is dependent on the mutual support of business partners. Therefore, investment in the agency network is a key strategy and also a key long-term action of the Company, and the Company hopes to strengthen and deepen the partnership in the agency network from the following aspects.

The Company will further utilize the aviation resources of YTO Express Group Co. Ltd., the controlling shareholder of the Company, and continue to improve the capacity reserves for trunk lines, to provide agents and business partners with high-quality and competitive international air freight services. In addition, benefiting from the development of cross-border e-commerce and small parcels business over the years, the Company will gradually negotiate with its existing agents to expand the business cooperation from the traditional freight forwarding to emerging businesses, broadening and deepening the business cooperation and therefore building an agency network of win-win cooperation and mutual benefit.

Meanwhile, the Company hopes to achieve breakthroughs in South America and Africa and expand the service network and business scope. It also expects to further expand the agency network and complete the global business deployment. Currently, the Company builds the agency network primarily by strategic cooperation and franchise authorization and steadily improves the business and strategic partnership chiefly by the mutual complementation of capabilities and resources and the reinforcement of mutual cooperation foundation.

### **Focus on the Regional Comprehensive Economic Partnership (“RECP”) and improve the regional service capability**

The Company will seize opportunities brought by the RECP, and begin to invest resources in building infrastructures in key countries in the second half of 2021, and leverage subsidiaries to introduce emerging businesses. It plans to develop the cross-border e-commerce and small parcels business in Southeast Asia and gradually expand the business from the China-centered development model to the regional internetworking model, thereby developing a larger market and a stronger position. For the freight forwarding business, the Company will expand the scale of business cooperation between East Asia and European & American markets by leveraging advantages developed in the Asian market over the years, cooperating with partners of North America and Europe and exploiting the opportunities arising from East Asia’s prosperity.

### **Continuously focus on globalization demands of Chinese enterprises and develop new business growth drivers**

As China’s economy recovers and grows steadily, China’s imports and exports grow rapidly in the post-pandemic era, which further promotes Chinese commodities and “Made in China” products globally. In such a context, the Company pays close attention to the globalization demands of Chinese enterprises and hopes to offer high-quality logistics and supply chain services to Chinese enterprises in the process of globalization. From the long-term perspective, the Company believes that globalization is an inevitable trend; in the short term, Chinese enterprises will accelerate the integration into globalization after the pandemic. With such views, the Company will leverage on the business resources of its parent company and the business foundation of China-based development built over the years, and cooperate with more Chinese enterprises to help them advance in the international and global development. In this process, the Company can also get business returns and cultivate new growth drivers.

### **Continue to improve system construction and advance business digitalization**

Digital transformation is an invariable strategy of the Company in recent years, and continuous improvement of internal management procedures, operation efficiency and customer experience are the key of the Company’s tasks. The new-generation business system is expected to be completed within the year, which will further advance the Company’s business digitalization process, enable the Company to refine the management of pre-sales, in-sales, and after-sales business information of subsidiaries in the world, promote the interaction between subsidiaries and make business services more effective, safer and traceable.

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

## **HUMAN RESOURCES**

As at 30 June 2021, the Group employed about 924 employees (as at 30 June 2020: about 965 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. During the Reporting Period, training activities have been conducted to improve the performance of sales and marketing activities and customer services.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (1H2020: nil).

## **CORPORATE GOVERNANCE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## AUDIT COMMITTEE

The Company has established an audit committee which comprises one non-executive Director, namely, Mr. Chen Dong, and two independent non-executive Directors, namely, Mr. Chung Kwok Mo John and Mr. Li Donghui. Mr. Chung Kwok Mo John is the chairman of the audit committee. The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited consolidated financial statements of the Group for the Reporting Period, including the accounting treatment, principles and practices adopted by the Group, and discussed financial related matters, with no disagreement.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ytoglobal.com](http://www.ytoglobal.com). The interim report for the Reporting Period will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

## APPRECIATION

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

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

Hong Kong, 25 August 2021

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Huang Yifeng and Mr. Sun Jian; four non-executive Directors, namely Mr. Yu Huijiao, Mr. Pan Shuimiao, Mr. Li Xianjun and Mr. Chen Dong; and three independent non-executive Directors, namely, Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John.*

\* *For identification purpose only*