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

**圓通速遞（國際）控股有限公司**

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

**(Stock code: 6123)**

### **CONTINUING CONNECTED TRANSACTIONS MASTER SERVICE AGREEMENT AND MASTER CHARTER AGREEMENT**

Reference is made to the announcements of the Company dated 24 April 2019 and 23 August 2019 in relation to, among others, the Existing Master Service Agreement and Existing Master Charter Agreement. As the Existing Master Service Agreement and Existing Master Charter Agreement will each expire on 31 December 2021, the Master Service Agreement and Master Charter Agreement were entered into for the renewal of the respective agreements.

#### **MASTER SERVICE AGREEMENT**

On 5 November 2021, the Company has entered into the Master Service Agreement with Yuantong, pursuant to which (i) the Company have appointed Yuantong Members as the Group's agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members' agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services.

#### **MASTER CHARTER AGREEMENT**

On 5 November 2021, the Company (for itself and on behalf of other members of the Group) entered into the Master Charter Agreement with the Cargo Members, pursuant to which the Cargo Members will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Yuantong is a company owned as to over 30% by Yuantong Jiaolong, which in turn is a company owned as to 51% by Mr. Yu (a non-executive Director) and 49% by his spouse. Accordingly, Yuantong is a connected person of the Company under Rule 14A.07 of the Listing Rules. Furthermore, as each of the Cargo Members is a wholly owned subsidiary of Yuantong, each of them is a connected person of the Company under Rule 14A.07 of the Listing Rules.

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

The proposed annual caps, when aggregated together pursuant to Rule 14A.83 of the Listing Rules, in respect of the provision and supply of (i) international express and parcel services and air and/or ocean freight forwarding services; and (ii) air freight chartering services, contemplated under the Master Service Agreement and the Master Charter Agreement exceed HK\$10 million, and based on the aggregate of the proposed annual caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on an annual basis. Accordingly, each of the Master Service Agreement and the Master Charter Agreement is subject to the annual reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 24 April 2019 and 23 August 2019 in relation to, among others, the Existing Master Service Agreement and Existing Master Charter Agreement. As the Existing Master Service Agreement and Existing Master Charter Agreement will each expire on 31 December 2021, the Master Service Agreement and Master Charter Agreement were entered into for the renewal of the respective agreements.

## **(A) MASTER SERVICE AGREEMENT**

### **Principal terms**

On 5 November 2021, the Company has entered into the Master Service Agreement with Yuantong, pursuant to which (i) the Company have appointed Yuantong Members as the Group's agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members' agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services for the term commencing from 1 January 2022 to 31 December 2024 unless terminated earlier by 30 days' written notice by either party.

### **Pricing policy**

- (a) *Where the Group acts as the freight forwarding agent:* The service fee to be paid by the relevant Yuantong Members in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the Group with reference to prevailing market rates. The Group implement a pricing policy which is determined by its management from time to time and is generally applicable to other Independent Third Party customers of the Group. Under such pricing policy, the international express and parcel services and/or air and ocean freight service fee to be offered by the Group to its customers will be determined with reference to the then prevailing international express and parcel services and/or air and ocean freight cost plus certain percentage of profit margin. Such profit margin will be determined by the Group's management from time to time with reference to, among others, the timetable of air and ocean freight carriers, the route, popularity of the route, seasonality, and any other factors in which the Group's management from time to time may consider material. Such profit margin is subject to such discretionary adjustments

as may be made available by the Group, such as discounts for high volume orders, which are generally applicable to other Independent Third Party customers of the Group.

- (b) *Where Yuantong Members acts as the freight forwarding agent:* The service fee to be paid by the relevant member of the Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant Yuantong Members with reference to prevailing market rates. The Group will also take into account the freight/parcel volume and size, nature and requirements of items on freight, international express and parcel services charges and/or air and ocean freight charges otherwise offered by other Independent Third Party freight forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with Yuantong Members and the Group's own budget and financial position.

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

### **Historical amount**

The approximate transaction amount between the Group and Yuantong Members for the provision of international express and parcel services and provision of air and ocean freight services, for each of the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 are set out below:

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>nine months</b>
	<b>2019</b>	<b>2020</b>	<b>ended</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<b>30 September</b>
			<b>2021</b>
			<i>(HK\$ million)</i>
(i) Service fees paid to Yuantong Members	41.7	50.2	185.0
(ii) Income received from Yuantong Members	5.7	11.3	135.4

## Annual caps

The Directors estimated that the annual transaction amount between the Group and Yuantong Members in respect of the provision of international express and parcel services and provision of air and ocean freight services contemplated under the Master Service Agreement for the years indicated below will be as follows:

	For the year ended 31 December		
	2022	2023	2024
	(HK\$ million)	(HK\$ million)	(HK\$ million)
(i) Service fees to be paid to Yuantong Members	69.7	83.6	100.3
(ii) Income to be received from Yuantong Members	366.4	465.6	558.8

The above proposed annual caps for each of the three years ending 31 December 2024 are determined by the Directors by reference to:

- (i) the historical actual amount of (a) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members; and (b) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the two years ended 31 December 2020 and the nine months ended 30 September 2021;
- (ii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;
- (iii) the expected growth of approximately 27% and 20% in demand of international express and parcel services and air and ocean freight services to be provided by Yuantong Members for the years ending 31 December 2023 and 2024, respectively;
- (iv) the expected growth of approximately 20% in demand of international express and parcel services and air and ocean freight services to be provided to Yuantong Members for the years ending 31 December 2023 and 2024, respectively; and
- (v) the approximately 10% buffer to cater for the unanticipated increase in each of the fees to be paid, and/or income to be received, by the Group under the Master Service Agreement.

## **(B) MASTER CHARTER AGREEMENT**

### **Principal terms**

On 5 November 2021, the Company (for itself and on behalf of other members of the Group) entered into the Master Charter Agreement with the Cargo Members, pursuant to which the Cargo Members will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for the term commencing from 1 January 2022 to 31 December 2024 unless terminated earlier by 60 days' written notice by either party.

### **Pricing policy**

The Charter and Related Fees shall be determined by the parties at the time of placing the order with reference to the Charter and Related Fees charged by Independent Third Party freight services providers of comparable services. The Group will obtain quotation from at least one (or such other number as shall be determined by the majority of the independent non-executive Directors from time to time) Independent Third Party freight services providers and compare it with the terms offered by the relevant Cargo Members for the provision of air freight charter services. The Group will also compare the track record and reputation of such Independent Third Party freight services provider against the relevant Cargo Members' track record and reputation. The Charter and Related Fees shall be determined by using the lower of (i) the Charter and Related Fees offered by the relevant Cargo Members; and (ii) quotation from Independent Third Party freight services providers of comparable services.

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

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

### **Historical amount**

The Group has not previously engaged YTO Cargo Shanghai (i.e. one of the Cargo Members) for the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.

The approximate transaction amount between the Group and YTO Cargo for the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for each of the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 are set out below:

	<b>For the year ended 31 December</b>		<b>For the nine months ended 30 September</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Charter and Related Fees, the Cargo Terminal Expenses (which include those paid by YTO Cargo to the relevant cargo terminal on behalf of the Group) and handling fees in respect of the Cargo Terminal Expenses paid and/or reimbursed by the Group to YTO Cargo	–	26.9	0.3

#### **Annual caps**

The Directors estimated that the annual transaction amount between the Group and the Cargo Members in respect of the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes contemplated under the Master Charter Agreement for the years indicated below will be as follows:

	<b>For the year ended 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Charter and Related Fees, the Cargo Terminal Expenses (which may be payable by the Cargo Members to the relevant cargo terminal on behalf of the Group) and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to the Cargo Members	839.6	1,297.7	1,995.4

The above proposed annual caps for each of the three years ending 31 December 2024 are determined by the Directors by reference to:

- (i) the historical actual amount of Charter and Related Fees, the Cargo Terminal Expenses and handling fees in respect of the Cargo Terminal Expenses paid and/or reimbursed by the Group to YTO Cargo for the two years ended 31 December 2020 and the nine months ended 30 September 2021;
- (ii) the expected growth of approximately 55% and 54% in demand of air freight chartering services to and from countries and regions around the world by the Group (calculated based on the expected increase in number of flights required by the Group) for the years ending 31 December 2023 and 2024; and
- (iii) the approximately 10% buffer to cater for the unanticipated increase in Charter and Related Fees, Cargo Terminal Expenses and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to the Cargo Members under the Master Charter Agreement.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

### **Master Service Agreement**

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

### **Master Charter Agreement**

The Group will benefit from the chartering services provided by the Cargo Members, in particular, the variety of chartering routes offered by the Cargo Members in different countries and regions around the world. This allows the Group to enhance the air freight forwarding services it may offer to its customers and increase its operational efficiency. As such, the Directors consider that the Master Charter Agreement is essential to the business growth of, and is for the commercial benefit of the Group.

The Directors (other than the independent non-executive Directors who will form their view after considering the advice from the Independent Financial Adviser) consider that the Master Service Agreement, the Master Charter Agreement and all transactions respectively contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and that the terms of each of the Master Service Agreement and the Master Charter Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

## **INFORMATION ON THE GROUP, YUANTONG AND THE CARGO MEMBERS**

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

Yuantong is a company listed on the Shanghai Stock Exchange (stock code: 600233).

Yuantong Members are principally engaged in the warehousing and distribution of goods as a leader in the express and courier service market in the PRC.

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

## **RELATIONSHIPS AND IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Yuantong is a company owned as to over 30% by Yuantong Jiaolong, which in turn is a company owned as to 51% by Mr. Yu (a non-executive Director) and 49% by his spouse. Accordingly, Yuantong is a connected person of the Company under Rule 14A.07 of the Listing Rules. Furthermore, as each of the Cargo Members is a wholly owned subsidiary of Yuantong, each of them is a connected person of the Company under Rule 14A.07 of the Listing Rules.

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

The proposed annual caps, when aggregated together pursuant to Rule 14A.83 of the Listing Rules, in respect of the provision and supply of (i) international express and parcel services and air and/or ocean freight forwarding services; and (ii) air freight chartering services, contemplated under the Master Service Agreement and the Master Charter Agreement exceed HK\$10 million, and based on the aggregate of the proposed annual caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on an annual basis. Accordingly, each of the Master Service Agreement and the Master Charter Agreement is subject to the annual reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on whether the terms and the proposed annual caps for the three years ending 31 December 2024 for each of the Master Service Agreement and the Master Charter Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Company has appointed Red Sun Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **EGM**

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

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

A circular containing, among other matters, (i) further information regarding the Master Service Agreement and the Master Charter Agreement; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Service Agreement and the Master Charter Agreement and the transactions respectively contemplated thereunder, as well as the respective proposed annual caps; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Master Service Agreement and the Master Charter Agreement and the transactions respectively contemplated thereunder, as well as the respective proposed annual caps; and (iv) a notice of the EGM to the Shareholders, will be despatched to the Shareholders on or before 26 November 2021.

## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cargo Members”	YTO Cargo and YTO Cargo Shanghai
“Cargo Terminal Expenses”	as defined in the paragraph headed “(B) Master Charter Agreement – Pricing Policy” of this announcement
“Charter and Related Fees”	the charter fee and other charter related fees (including but not limited to fuel surcharge and deicing fee) for each of the countries and regions around the world
“Company”	YTO Express (International) Holdings Limited 圓通速遞 (國際) 控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Master Service Agreement and the Master Charter Agreement and the respective proposed annual caps
“Existing Master Charter Agreement”	the agreement dated 23 August 2019 and entered into between the Company (for itself and on behalf of other members of the Group) and YTO Cargo pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for the term commencing from 27 November 2019 to 31 December 2021

“Existing Master Service Agreement”	the agreement dated 24 April 2019 and entered into between the Company and Yuantong where (i) the Company have appointed Yuantong Members as the Group’s agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members’ agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services for the term commencing as of 1 January 2019 to 31 December 2021
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Master Service Agreement and the Master Charter Agreement and the respective proposed annual caps
“Independent Financial Adviser”	Red Sun Capital Limited, the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Master Service Agreement and the Master Charter Agreement and the respective proposed annual caps
“Independent Shareholders”	Shareholders, other than YTO Global Holdings Limited and its associates and any Shareholder who has material interest in the Master Service Agreement and the Master Charter Agreement and the transactions respectively contemplated thereunder, and the respective proposed annual caps
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not connected person(s) (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Charter Agreement”	the agreement dated 5 November 2021 and entered into between the Company (for itself and on behalf of other members of the Group) and the Cargo Members pursuant to which the Cargo Members will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes

“Master Service Agreement”	the agreement dated 5 November 2021 and entered into between the Company and Yuantong where (i) the Company have appointed Yuantong Members as the Group’s agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members’ agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services
“Mr. Yu”	Mr. Yu Huijiao, a non-executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China, excluding for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“YTO Cargo”	YTO Cargo Airlines Co., Ltd.* 杭州圓通貨運航空有限公司, a company established in the PRC and a wholly owned subsidiary of Yuantong
“YTO Cargo Shanghai”	Shanghai Yuantong International Cargo Freight Agent Co., Ltd.* 上海圓通國際貨物運輸代理有限公司, a company established in the PRC and a wholly owned subsidiary of Yuantong
“Yuantong”	YTO Express Group Co., Ltd. 圓通速遞股份有限公司, a joint stock limited liability company established in the PRC and a controlling shareholder of the Company

“Yuantong Jiaolong”	Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.* 上海圓通蛟龍投資發展(集團)有限公司, a company established in the PRC and a controlling shareholder of the Company
“Yuantong Members”	Yuantong and its subsidiaries and associated companies excluding the Group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

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

Hong Kong, 5 November 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.*