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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

During the Reporting Period:

- **the Group's revenue amounted to about HK$2,201.3 million, representing an increase of about 22.3% as compared to that of the corresponding period of 2019 (1H2019: about HK$1,800.1 million);**
- **the Group recorded a profit attributable to owners of the Company of about HK$95.5 million (1H2019: HK$5.1 million);**
- **air freight business recorded an increase of about 107.9% in segment results as compared to that of the corresponding period of 2019, to about HK$165.0 million (1H2019: about HK$79.4 million); and**
- **international express and parcel services business recorded a significant increase in segment results as compared to that of the corresponding period of 2019, to about HK$41.7 million (1H2019: about HK$19.0 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 2020 (the "**Reporting Period**"). The relevant financial figures for the six months ended 30 June 2019 (the "**1H2019**") 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 2020

		(Unaudited)	
		Six months ended 30 June	
		2020	**2019**
	NOTES	*HK$'000*	*HK$'000*
Revenue	*2*	2,201,295	1,800,082
Cost of sales		(1,829,320)	(1,543,912)
Gross profit		371,975	256,170
Other income		8,392	6,048
Administrative expenses		(252,950)	(250,057)
Net impairment loss (recognised) reversed under expected credit loss model		(8,580)	834
Other gains or losses		44	(795)
Share of results of associates		811	352
Share of results of joint ventures		202	155
Finance costs		(2,454)	(3,953)
Profit before taxation		117,440	8,754
Income tax expense	*3*	(20,835)	(2,312)
Profit for the period	*4*	96,605	6,442
Profit for the period attributable to:			
Equity shareholders of the Company		95,456	5,143
Non-controlling interests		1,149	1,299
		96,605	6,442
		HK cents	*HK cents*
Earnings per share			
Basic	*5*	23.03	1.25
Diluted	*5*	23.03	1.24

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	(Unaudited) Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000*
Profit for the period	96,605	6,442
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of leasehold land and buildings	57	433
Deferred tax arising on revaluation of leasehold land and buildings	35	(58)
Items that may be subsequently reclassified to profit or loss:		
Share of other comprehensive income of associates	(232)	(190)
Share of other comprehensive income of joint ventures	3	(56)
Exchange difference arising from foreign operations	(4,398)	(4,301)
Reclassification adjustment upon disposal of a subsidiary	(446)	–
Other comprehensive income for the period	(4,981)	(4,172)
Total comprehensive income for the period	91,624	2,270
Attributable to:		
Equity shareholders of the Company	90,454	1,689
Non-controlling interests	1,170	581
Total comprehensive income for the period	91,624	2,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	(Unaudited) 30 June 2020 HK$'000	(Audited) 31 December 2019 HK$'000
Non-current assets			
Investment properties		6,057	6,471
Property, plant and equipment		50,153	44,032
Right-of-use assets		123,751	51,256
Goodwill		14,827	14,828
Intangible assets		9,205	11,244
Interests in associates		16,623	16,045
Interests in joint ventures		7,925	7,720
Finance lease receivables		1,926	8,427
Deferred tax assets		506	392
		230,973	160,415
Current assets			
Trade receivables	7	664,282	561,283
Other receivables, deposits and prepayments		48,410	53,197
Contract assets		33,510	44,863
Financial asset at fair value through profit or loss		826	952
Debt investment at amortised cost		7,411	7,580
Finance lease receivables		12,664	12,345
Amount due from an intermediate holding company		2	–
Amount due from immediate holding company		1,245	1,245
Amounts due from joint ventures		3,434	7,233
Amounts due from associates		12,624	11,730
Amount due from a fellow subsidiary		2,888	42
Loan to an associate		–	200
Prepaid tax		3,356	6,341
Pledged bank deposits		7,480	20,720
Bank balances and cash		374,218	269,008
		1,172,350	996,739

	NOTES	(Unaudited) 30 June 2020 HK$'000	(Audited) 31 December 2019 HK$'000
Current liabilities			
Trade and other payables	8	454,284	402,905
Contract liabilities		1,611	6,464
Dividend payables		4,168	–
Loan from immediate holding company		–	30,000
Amounts due to associates		141	2,763
Amounts due to fellow subsidiaries		34,683	128
Tax liabilities		18,493	3,629
Lease liabilities		43,696	47,242
Bank borrowings		38,793	30,565
		595,869	523,696
Net current assets		576,481	473,043
Total assets less current liabilities		807,454	633,458
Non-current liabilities			
Other payables	8	3,307	3,855
Lease liabilities		106,727	23,557
Deferred tax liabilities		11,176	8,933
		121,210	36,345
Net assets		686,244	597,113
Capital and reserves			
Share capital	9	41,676	41,676
Reserves		639,762	548,929
Total equity attributable to equity shareholders of the Company		681,438	590,605
Non-controlling interests		4,806	6,508
Total equity		686,244	597,113

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 2020 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 2019.

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 2020 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Changes in accounting policies

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *COVID-19-Related Rent Concessions* (effective for annual periods beginning on or after 1 June 2020)

Amendments to HKFRS 3 have no impact on the results and financial position of the Group.

The Group has early adopted the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period. Other than the amendment to HKFRS 16, the Group has not early adopted any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of the amendment to HKFRS 16 is discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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 2019 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. SEGMENT INFORMATION

Segment revenue and results

	(Unaudited) Segment revenue Six months ended 30 June		**(Unaudited) Segment results Six months ended 30 June**	
	2020	**2019**	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating and reportable segments				
Air freight	1,410,266	1,054,506	164,980	79,352
Ocean freight	326,411	379,816	46,474	65,941
Logistics	42,134	34,800	9,130	3,232
International express and parcel	320,244	274,383	41,733	18,956
Others	102,240	56,577	22,300	14,149
Total	2,201,295	1,800,082	284,617	181,630
Other income			8,392	6,048
Other gains or losses			44	(795)
Unallocated corporate expenses			(174,172)	(174,683)
Share of results of associates			811	352
Share of results of joint ventures			202	155
Finance costs			(2,454)	(3,953)
Profit before taxation			117,440	8,754

3. INCOME TAX EXPENSE

	(Unaudited) Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000*
Current tax		
– Hong Kong Profits Tax	11,160	1,081
– Enterprise Income Tax in the People's Republic of China (the "**PRC**")	4,599	168
– Vietnam Corporate Income Tax	498	559
– Malaysia Corporate Income Tax	914	924
– Canadian Corporate Income Tax	310	391
– Other jurisdictions	1,109	1,078
	18,590	4,201
Under (over) provision in respect of prior years		
– Hong Kong Profits Tax	293	303
– Enterprise Income Tax in the PRC	–	255
– Other jurisdictions	(367)	(519)
	(74)	39
	18,516	4,240
Deferred taxation	2,319	(1,928)
	20,835	2,312

4. PROFIT FOR THE PERIOD

	(Unaudited) Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000*
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	4,974	5,033
Depreciation of right-of-use assets	21,932	16,816
Amortisation of intangible assets	2,027	2,653
Net exchange loss	689	470
Gain on bargain purchase	(673)	–

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:

	(Unaudited) Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the Company)	95,456	5,143

	(Unaudited) Six months ended 30 June 2020 *'000*	2019 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	414,560	412,070
Effect of dilutive potential ordinary shares on share award plan	–	1,440
Weighted average number of ordinary shares for the purpose of diluted earnings per share	414,560	413,510

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

6. DIVIDEND

	(Unaudited) Six months ended 30 June 2020	
	2020	**2019**
	HK$'000	*HK$'000*
Final dividend for the year ended 31 December 2019 of HK1.0 cents (31 December 2018: HK3.8 cents) per share	4,168	15,742

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: 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:

	(Unaudited) 30 June 2020	**(Audited) 31 December 2019**
	HK$'000	*HK$'000*
0–30 days	417,814	321,962
31–60 days	179,017	152,119
61–90 days	50,027	49,488
91–180 days	13,643	31,501
Over 180 days	3,781	6,213
	664,282	561,283

8. TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2020 *HK$'000*	**(Audited) 31 December 2019** *HK$'000*
Within 60 days	276,939	256,099
61–180 days	7,747	10,790
181–365 days	1,382	1,321
1–2 years	1,958	1,561
	288,026	269,772

9. SHARE CAPITAL

	Number of ordinary shares	**Share capital** *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2019 and 30 June 2019	414,270,000	41,427
Issue of shares upon exercise of equity-settled share-based payment *(note)*	2,490,000	249
At 1 January 2020 and 30 June 2020	416,760,000	41,676

Note: During the year ended 31 December 2019, the Company issued 2,490,000 ordinary shares of HK$0.10 each upon exercise of equity-settled share-based payment. The shares issued rank pari passu with other shares in issue in all aspects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the overall demand for logistics and freight forwarding services decreased due to the outbreak of COVID-19. Nonetheless, the increase in demand for health care and medical supplies contributed to a large portion of the Group's revenue and led to a substantial increase in the net profit during the Reporting Period.

The current global economic development is still full of uncertainties. According to the recent World Economic Outlook Update released by International Monetary Fund, global growth is projected at negative 4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery progress is projected to be more gradual than previous forecast. The below sets out the risks and uncertainties expected to be faced by the Group due to the COVID-19 pandemic.

The Uncertain Recovery of Consuming Market

Due to the uncertain recovery of major global economies such as the United States, the demand of the global manufacturing and consumption may not be accurately predicted. The major customers of the Group also try to recover their businesses around the world, which may also affect their logistics demand for the services of the Group. Based on the business analysis in the first half of 2020, the Group found that the tonnage (except for health care and medical supplies) was lower than the corresponding period of 2019.

The Uncertain Recovery of International Airlines

The global tourism industry has suffered an unprecedented hit during the first half in 2020 and international airlines are also facing the challenges from the negative impact of COVID-19. According to the recent research of the International Air Transport Association (IATA), global passenger traffic (revenue passenger kilometers) will not return to pre-COVID-19 levels until 2024, a year later than previously projected. Therefore, airline companies are cutting international flights to reduce business loss. For the business of the Group, the reduction of flights has led to an insufficient supply of belly-hold, which will directly affect the purchase cost. Due to the uncertain recovery of international airlines, the Group may face a higher cost, which will affect the gross profit of the Group.

Given the risks and uncertainties as set out above, the Group is planning to launch several measures to recover its business. The Group will further cooperate with YTO Cargo Airlines Co., Ltd.* 杭州圓通貨運航空有限公司 ("**YTO Airlines**"), which is wholly owned subsidiary of YTO Express Group Co., Ltd. ("**YTO Express**"), to develop more airline routes and provide various products for customers with more competitive prices and high quality services. Meanwhile, the Group will try to enter into new markets, for instance, the Group has established a subsidiary in Vietnam to serve cross-border e-commerce. In addition, the Group is willing to implement a new round of marketing activities to activate our agency network and overcome difficulties with our business partners together.

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$2,201.3 million (1H2019: about HK$1,800.1 million), representing a period-on-period increase of about 22.3%. Gross profit amounted to about HK$372.0 million (1H2019: about HK$256.2 million), representing a period-on-period increase of about 45.2%. Due to better cost control, the gross profit margin slightly increased to about 16.9% (1H2019: about 14.2%), while the net profit attributable to owners of the Company increased significantly to about HK$95.5 million, representing a period-on-period increase of about 1,756.0% (1H2019: HK$5.1 million). The increase in profit attributable to the owners of the Company was mainly attributable by the following: (a) the demand for health care and medical supplies have increased substantially due to the COVID-19 pandemic in Europe and the United States. Benefiting from the business transaction of its overseas subsidiaries and the business network of its overseas freight forwarder business partners, the Group has secured plenty of business of providing air freight chartering service; and (b) although the number of flights has decreased significantly under the COVID-19 pandemic, benefiting from the established and sound business relationship with airlines, the Group was able to secure cargo space to satisfy its customers demand.

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 64.1% of the Group's total revenue during the Reporting Period (1H2019: about 58.6%). It principally involves in arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing for the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including "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 Reporting Period, the air freight forwarding business recorded a revenue of about HK$1,410.3 million (1H2019: about HK$1,054.5 million), representing an increase of about 33.7% as compared to the corresponding period of 2019. Gross profit of the segment also increased from about HK$118.0 million in the corresponding period of 2019 to about HK$209.8 million during the Reporting Period, representing a period-on-period increase of about 77.8%. The increase in revenue and gross profits of air freight business is due to the increase of delivery of health care and medical supplies by air freight channel.

Ocean Freight

The ocean freight segment contributed about 14.8% of the Group's total revenue during the Reporting Period (1H2019: about 21.1%). The ocean freight forwarding business principally involves in organising shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the Reporting Period, revenue of ocean freight segment decreased by about 14.1% period-on-period to about HK$326.4 million (1H2019: about HK$379.8 million). Gross profit decreased to about HK$68.2 million (1H2019: about HK$80.9 million) due to the decrease in the demand in ocean freight services during COVID-19 pandemic.

Ancillary and Contract Logistics Services

Accounting for about 1.9% (1H2019: about 1.9%) of the Group's total revenue during the Reporting Period, the ancillary and contract logistics services segment includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation and enhance its transshipment capacities to cope with the market conditions. Consequently, this segment achieved revenue of about HK$42.1 million (1H2019: about HK$34.8 million) and gross profit of about HK$27.0 million (1H2019: about HK$22.2 million).

International Express and Parcel Services

International express and parcel services which mainly consist of cross-border small parcels of delivery business is the Group's fast growing business to capture the development opportunities arising from the global cross-border e-commerce business. It represents about 14.5% of the total revenue of the Group during the Reporting Period (1H2019: about 15.2%). 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 possesses a strong express logistic service network covering the PRC, which provides firm supports for the Group's development of end-to-end full-chain services. As at 30 June 2020, 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 Chinese mainland to the Taiwan region, the Group has received positive comments from customers and market recognition.

Even though the macroeconomy has been severely affected by the outbreak of COVID-19, the Group believes that cross-border e-commerce remains as a fast-growing market. According to statistics from the General Administration of Customs of the People's Republic of China, China's cross-border e-commerce exports increased by 28.7% in the first half of this year, becoming an important force in stabilizing foreign trade. Therefore, cooperating with our partners, such as Hangzhou Cainiao Supply Chain Management Co., Limited ("**Cainiao**"), the Group has achieved a great business performance of international express and parcel services during COVID-19 pandemic. The revenue from international express and parcel services increased from about HK$274.4 million in the corresponding period of 2019 to about HK$320.2 million during the Reporting Period, representing an increase of about 16.7%. During the Reporting Period, the Group has completed the delivery of about 28.5 million units in international express and parcel business during the Reporting Period (1H2019: about 32.5 million).

Faced with the sharp increasing cost of air freight services and other expenses during the COVID-19 pandemic, the Group has been implementing strict cost control measures to improve the profitability of this segment. On the premise of guaranteeing service quality, the Group still achieved great gross profit on this segment. During the Reporting Period, the gross profit of international express and parcel services increased to about HK$44.7 million (1H2019: about HK$20.9 million) representing a significant growth of about 113.9%.

Others

The other businesses include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other businesses recorded revenue of about HK$102.2 million (1H2019: about HK$56.6 million) and gross profit of about HK$22.3 million (1H2019: about HK$14.1 million). The gross profit margin of other businesses decreased from 25.0% in 1H2019 to 21.8% 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 treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2020 was about HK$576.5 million, representing a increase of about 21.9% from about HK$473.0 million as at 31 December 2019. The current ratio of the Group slightly increased from about 1.90 times as at 31 December 2019 to about 1.97 times as at 30 June 2020.

As at 30 June 2020, the Group's bank balances and cash amounted to about HK$374.2 million, representing an increase of about 39.1% from about HK$269.0 million as at 31 December 2019. For the Reporting Period, the Group had operating cash inflow of about HK$127.9 million (1H2019: operating cash inflow of about HK$198.7 million). As at 30 June 2020, the Group's outstanding bank borrowings amounted to about HK$38.8 million (as at 31 December 2019: about HK$30.6 million). The gearing ratio of the Group was about 5.7% as at 30 June 2020 (as at 31 December 2019: about 5.1%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2020 and as at 31 December 2019, 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, CAD, 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 subject to the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2019. 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 2020, the Group did not hold any material investments.

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2020, the Group has capital expenditure commitments of HK$2,500,000 (as at 31 December 2019: HK$2,500,000). 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 2020, save as disclosed in the above capital expenditure commitments, the Group did not have any other significant contingent liabilities.

PERFORMANCE GUARANTEES

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

On Time Worldwide Logistics Limited ("**On Time BVI**"), a direct wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 5 May 2017 (the "**First Sale and Purchase Agreement**") with Air Partner Logistics Company Limited, as vendor (the "**First Vendor**") and Ms. Chan Yi Lam, as guarantor for the First Vendor (the "**Guarantor**"), in relation to the acquisition of the entire issued shares of Best Loader HK. Pursuant to the First Sale and Purchase Agreement, the First Vendor undertakes and guarantees to On Time BVI that (i) the net assets value of Best Loader HK for the year ended 31 December 2017 in accordance with HKFRS, which shall be verified by the Company's auditor (the "**2017 Accounts**"), will be no less than HK$3.0 million (the "**2017 NAV Guarantee**"); (ii) the net assets value of Best Loader HK for the year ended 31 December 2018 in accordance with HKFRS, which shall be verified by the Company's auditor (the "**2018 Accounts**"), will be no less than HK$4.7 million (the "**2018 NAV Guarantee**"); and (iii) the net assets value of Best Loader HK for the year 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 the 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. On 4 August 2020, On Time BVI and, among other, the Guarantor entered into a supplemental agreement to the First Sale and Purchase Agreement (the "**Supplemental Agreement**") in relation to the payment of the final part of the consideration for the First 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.

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

(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, the 2018 SH NAV Guarantee and the 2019 SH NAV Guarantee had been fulfilled. Given the fulfillment of the 2017 SH NAV Guarantee, 2018 SH NAV Guarantee and 2019 SH NAV Guarantee, On Line HK has paid to the First Vendor in aggregate of HK$7.2 million in cash for the payment of the consideration for the Second Sale and Purchase Agreement (out of which the final payment of HK$2.25 million was settled in August 2020).

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. As such the Second Vendor does not need to compensate Jumbo Channel pursuant to the terms and conditions of 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 30 June 2020, certain of the Group's trade receivables with an aggregate carrying amount of about HK$50,000 (as at 31 December 2019: about HK$50,000), financial asset at fair value through profit or loss of about HK$826,000 (as at 31 December 2019: about HK$952,000), debt investment at amortised cost of about HK$7.4 million (as at 31 December 2019: HK$7.6 million) together with short-term bank deposits of about HK$7.5 million (as at 31 December 2019: about HK$20.7 million) were pledged to secure certain banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

The Board of directors, with the recommendation of the Audit Committee, resolved to appoint KPMG as the auditor of the Company with effect from 6 August 2020 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu as auditor of the Company, and to hold office until the conclusion of the next annual general meeting of the Company. Please refer to the announcement of the Company dated 6 August 2020 for details.

Save as disclosed, there are no events causing material impact on the Group from the end of the Reporting Period to the date of this announcement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 30 March 2020, YTO Express Worldwide Limited ("**YTO BVI**"), a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with YTO Global Holdings Limited, pursuant to which the YTO Global Holdings Limited has agreed to sell, and YTO BVI has agreed to purchase, the 45,010,000 ordinary shares in YTO Courier (Hong Kong) Company Limited ("**YTO Courier (HK)**"), representing the entire issued shares in YTO Courier (HK), at the consideration of HK$6,940,086, subject to and in accordance with the terms and conditions of the sale and purchase agreement. Upon completion, YTO Courier (HK) become an indirect wholly-owned subsidiary of the Company.

On 1 June 2020, OTX Logistics Canada Limited ("**OTX Canada**"), an indirect non-wholly owned subsidiary of the Company, and Harbour Zone Limited as the selling shareholder, an indirect wholly owned subsidiary of the Company, entered into a share redemption agreement ("**SRA**"), pursuant to which Harbour Zone Limited has agreed to sell, and, OTX Canada has agreed to redeem, the 51 common shares in OTX Canada owned by Harbour Zone Limited, representing 51% of the entire issued shares in OTX Canada, at the consideration of CAD513,846, subject to and in accordance with the terms and conditions of the SRA. Upon completion, OTX Canada ceased to be a 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

COVID-19 is undoubtedly the main factor influencing macroeconomic development in 2020. The global markets regardless of consumer market and manufacturing are facing serious challenges. Even though the major economies have recovered from COVID-19 pandemic after the first half of 2020, several countries and regions are still suffering from such pandemic. According to the recent World Economic Outlook Update released by International Monetary Fund, global growth is projected at negative 4.9 percent in 2020 and the COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previous forecast. Therefore, that could also negatively influence on the Group business recovery in the second half of 2020.

However, the online shopping and logistics industry achieved tremendous growth in the first half of 2020. Meanwhile, due to the excellent epidemic prevention and control, China is one of the first countries recovering from the COVID-19. According to the statistics from the General Administration of Customs of the People's Republic of China, the total value of China's trade in goods was RMB14.24 trillion in the first half of this year, down 3.2% year-on-year, and the rate of decline narrowed by 1.7% compared with the previous five months. Benefiting from strong production and manufacturing recovery, the business performance of the Group is much better as compared to the corresponding period in 2019. Even though it is a very hard time for many industries, the Group still believes that 2020 will be a year full of opportunities and challenges.

Furthermore, the deterioration in the China-U.S. relationship is still an unavoidable issue in the development of global trade in 2020. Although trading between the two countries may be negatively affected by this crisis, the Group still believes that there is still a chance for business growth. Currently, the business proportion of the Group between China-U.S. is still relatively low compared with the China-EU and China-Southeast Asia. Due to the great cooperation with American clients in health care and medical supplies export, the Group has the confidence to utilize the professional and high-qualified services to obtain more businesses in the future.

More importantly, the Group expects that there is also a great opportunity in business development between the U.S. and Southeast Asia. Due to tensions between China and the U.S., increasing tariffs put China's goods in a disadvantageous position. Therefore, companies have been reacting by shifting manufacturing away from China to Southeast Asian countries such as Vietnam, Cambodia, and Bangladesh, in search of lower production costs. Leveraging the years of development in Southeast Asia, the Group can provide professional logistic solutions for manufacturers and obtain more market share in the local market.

Given the outlook mentioned above, the Group is expected to invest more resources on the following aspects to further enhance the Company's competitive advantage and operational efficiency in the future.

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 is still continuing to improve its service coverage around the world in the future, especially the Southeast Asia. According to the market research conducted by Google and Temasek, the market of the 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 based on the success of the Chinese mainland and the Taiwan region.

The Group is planning to further utilize the resources of YTO Express to enhance the international freight capacity. Benefiting from YTO Airlines, which is wholly owned subsidiary of YTO Express, the Group can work with it 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 the future, the Group will complete the internal integration between the overseas subsidiaries of YTO Express and the 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 previous investment, such as Vietnam and Thailand. According to the Group's globalization plan, the Group also accelerates 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 China 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 capacities of the highly-qualified services for the customers and enhance market competitiveness to win more market shares of cross-border e-commerce.

Strengthen Overseas Agency Network and Cooperation with Chinese Overseas Enterprises

The Group continues 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 to the agents. 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 able to get in touch with the Chinese overseas enterprises and achieve the strategic cooperation more efficiently. 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-chain service. In the future years, the Group intends to further develop these specialized service capacities to expand the business into other market segments. Thus, through utilizing the resources of YTO Express, such as warehouses, IT systems, 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 China. 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 the online channel and cross-border e-commerce.

Continue to Further Develop the Southeast Asian Market

Benefiting from the years of investment and development of the Group in Southeast Asia and South Asia, the Group has owned the strong brand and services capacity in this area. Meanwhile, leveraged by the YTO Express and YTO Airlines, the Group can develop many new logistic solutions for the specialized market between China and Southeast Asia. For instance, in Vietnam, the Group has already established the express delivery services for cross-border and local services. Meanwhile, the Group also strengthens the business development between Southeast Asia and the U.S., which is a strong supplement for the current business of the Group. The Group has established the mechanism to enhance the business development between those two areas and provide the professional logistic services for customers. The Group is willing to cooperate with our clients to reduce the cost and expense and obtain more market share in the local market as well, which means that Southeast Asia could be one of the Company's key markets in the future.

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 can 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 30 June 2020, the Group employed about 965 employees (as at 30 June 2019: about 1,103 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board has decided not to declare an interim dividend for the Reporting Period.

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. Lin Kai, and two independent non-executive Directors, namely, Mr. Chung Kwok Mo John and Mr. Li Donghui. Mr. Chung Kwok Mo John is the chairman of the audit committee. The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited consolidated financial statements of the Group for the Reporting Period, including the accounting 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** and the Company's website at **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, 26 August 2020

* *For identification purpose only*

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.