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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 2022

FINANCIAL HIGHLIGHTS

During the Reporting Period:

- **the Group's revenue amounted to about HK\$3,439.8 million, representing an increase of about 13.2% as compared to that of the corresponding period of 2021 (1H2021: about HK\$3,038.3 million);**
- **the Group recorded a profit attributable to equity shareholders of the Company of about HK\$122.1 million (1H2021: HK\$97.0 million);**
- **segment results of air freight business recorded an increase of about 14.9% as compared to that of the corresponding period of 2021, to about HK\$88.8 million (1H2021: about HK\$77.3 million);**
- **segment results of ocean freight business recorded an increase of about 53.0% as compared to that of the corresponding period of 2021, to about HK\$112.6 million (1H2021: about HK\$73.6 million); and**
- **segment results of international express and parcel services business recorded a drop as compared to that of the corresponding period of 2021, to about HK\$72.2 million (1H2021: about HK\$79.4 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 2022 (the “**Reporting Period**”). The relevant financial figures for the six months ended 30 June 2021 (the “**1H2021**”) 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 2022

		(Unaudited)	
		Six months ended 30 June	
		2022	2021
	NOTES	HK\$'000	HK\$'000
Revenue	2	3,439,795	3,038,312
Cost of sales		<u>(3,075,211)</u>	<u>(2,710,117)</u>
Gross profit		364,584	328,195
Other income		9,409	7,115
Administrative expenses		(239,819)	(212,959)
Net impairment loss (recognised) reversed under expected credit loss model		(2,310)	5,253
Other gains or losses		15,450	(8,511)
Share of results of associates		1,229	(90)
Share of results of joint ventures		(2,125)	368
Finance costs		<u>(1,648)</u>	<u>(2,186)</u>
Profit before taxation		144,770	117,185
Income tax expense	3	<u>(20,165)</u>	<u>(17,520)</u>
Profit for the period	4	<u>124,605</u>	<u>99,665</u>
Profit for the period attributable to:			
Equity shareholders of the Company		122,105	96,992
Non-controlling interests		<u>2,500</u>	<u>2,673</u>
		<u>124,605</u>	<u>99,665</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	5	<u>29.21</u>	<u>23.40</u>
Diluted	5	<u>29.21</u>	<u>22.97</u>

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

For the six months ended 30 June 2022

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	124,605	99,665
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Items that will not be reclassified to profit or loss:</i>		
(Deficit) surplus on revaluation of leasehold land and buildings	(85)	262
Deferred tax arising on revaluation of leasehold land and buildings	(33)	(13)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of associates	(617)	(40)
Share of other comprehensive income of joint ventures	(465)	(282)
Exchange difference arising from foreign operations	(33,253)	(7,475)
Reclassification adjustment upon disposal of a subsidiary	17,689	–
Other comprehensive income for the period	(16,764)	(7,548)
Total comprehensive income for the period	107,841	92,117
Attributable to:		
Equity shareholders of the Company	106,241	89,967
Non-controlling interests	1,600	2,150
Total comprehensive income for the period	107,841	92,117

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		(Unaudited) 30 June 2022	(Audited) 31 December 2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties		6,088	6,745
Property, plant and equipment		37,365	57,574
Right-of-use assets		51,198	144,257
Goodwill		500	542
Intangible assets		4,972	3,382
Interests in associates		3,775	3,210
Interests in joint ventures		52,017	10,072
Deferred tax assets		2,127	809
		<u>158,042</u>	<u>226,591</u>
Current assets			
Trade receivables	7	963,675	1,212,370
Other receivables, deposits and prepayments		132,026	115,483
Contract assets		69,215	117,092
Financial asset at fair value through profit or loss		718	3,939
Debt investment at amortised cost		7,071	7,069
Amount due from immediate holding company		119	119
Amounts due from joint ventures		34,545	9,693
Amounts due from associates		12,824	16,463
Amounts due from fellow subsidiaries		13,870	18,109
Prepaid tax		3,327	3,825
Pledged bank deposits		11,785	10,768
Bank balances and cash		749,623	567,828
		<u>1,998,798</u>	<u>2,082,758</u>

		(Unaudited) 30 June 2022	(Audited) 31 December 2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	8	569,903	787,933
Contract liabilities		39,865	48,481
Dividend payables		27,312	–
Financial liabilities at fair value through profit or loss		3,322	–
Amounts due to associates		1,057	914
Amounts due to fellow subsidiaries		212,085	132,380
Tax liabilities		32,352	40,041
Lease liabilities		24,074	42,770
Bank borrowings		1,183	5,370
		<u>911,153</u>	<u>1,057,889</u>
Net current assets		<u>1,087,645</u>	<u>1,024,869</u>
Total assets less current liabilities		<u>1,245,687</u>	<u>1,251,460</u>
Non-current liabilities			
Other payables	8	2,613	3,318
Lease liabilities		31,072	116,940
Deferred tax liabilities		15,507	14,666
		<u>49,192</u>	<u>134,924</u>
Net assets		<u>1,196,495</u>	<u>1,116,536</u>
Capital and reserves			
Share capital		42,019	42,019
Reserves		1,144,889	1,060,246
Total equity attributable to equity shareholders of the Company		1,186,908	1,102,265
Non-controlling interests		9,587	14,271
Total equity		<u>1,196,495</u>	<u>1,116,536</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 2022 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 2021.

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 2022 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

Changes in accounting policies

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

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 2021 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	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating and reportable segments				
Air freight	1,742,798	1,404,840	88,828	77,318
Ocean freight	1,035,524	793,375	112,645	73,582
Logistics	40,046	35,748	338	4,884
International express and parcel	557,004	744,284	72,232	79,413
Others	64,423	60,065	7,964	17,327
	<u>3,439,795</u>	<u>3,038,312</u>		
Total			282,007	252,524
Other income			9,409	7,115
Other gains or losses			15,450	(8,511)
Unallocated corporate expenses			(159,552)	(132,035)
Share of results of associates			1,229	(90)
Share of results of joint ventures			(2,125)	368
Finance costs			(1,648)	(2,186)
			<u>144,770</u>	<u>117,185</u>
Profit before taxation				

3. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	13,928	15,313
– Enterprise Income Tax in the People’s Republic of China (the “ PRC ”)	1,132	532
– Vietnam Corporate Income Tax	1,821	1,152
– Malaysia Corporate Income Tax	319	468
– Thailand Corporate Income Tax	1,151	663
– Korea Corporate Income Tax	1,346	174
– Other jurisdictions	3,152	1,265
	<u>22,849</u>	<u>19,567</u>
(Over) under provision in respect of prior years		
– Hong Kong Profits Tax	(10)	(380)
– Enterprise Income Tax in the PRC	11	–
– Other jurisdictions	2,957	196
	<u>2,958</u>	<u>(184)</u>
Withholding tax on dividend received	<u>435</u>	<u>832</u>
Deferred taxation	26,242	20,215
	<u>(6,077)</u>	<u>(2,695)</u>
	<u><u>20,165</u></u>	<u><u>17,520</u></u>

4. PROFIT FOR THE PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	5,538	5,815
Depreciation of right-of-use assets	19,302	19,346
Amortisation of intangible assets	992	2,235
Net exchange (gain) loss	(18,372)	629
	<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:

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the Company)	<u>122,105</u>	<u>96,992</u>

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	417,990	414,560
Effect of dilutive potential ordinary shares on share award plan	<u> </u>	<u>7,564</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>417,990</u>	<u>422,124</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 2022 because the dilutive potential ordinary shares outstanding were anti-dilutive.

6. DIVIDEND

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend for the year ended 31 December 2021 of HK6.5 cents (31 December 2020: HK6.1 cents) per share	27,312	25,422

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: 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)	(Audited)
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	604,866	836,348
31–60 days	154,232	243,244
61–90 days	63,266	93,275
91–180 days	96,246	37,775
Over 180 days	45,065	1,728
	963,675	1,212,370

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:

	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	324,266	450,802
61–180 days	22,346	38,876
181–365 days	7,086	3,069
Over 1 year	5,171	3,210
	358,869	495,957

9. DISPOSAL OF A SUBSIDIARY

On 16 June 2022, Jumbo Channel Limited (“**Jumbo Channel**”), an indirect wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Uniserve Holdings Limited (“**Uniserve**”) and OTX Logistics B.V. (“**OTX Logistics Holland**”), pursuant to which Uniserve has agreed to acquire 50% of the entire issued shares in OTX Logistics Holland from Jumbo Channel, at the consideration of EUR5,409,469 (equivalent to approximately HK\$44,325,189), subject to and in accordance with the terms and conditions of the sale and purchase agreement. Upon completion, Jumbo Channel’s interest in OTX Logistics Holland is 50% and OTX Logistics Holland ceased to be an indirect wholly owned subsidiary of the Company and became a joint venture of the Company.

The net assets of the subsidiary at the date of disposal were as follows:

	<i>HK\$’000</i>
Net assets disposed of:	
Property, plant and equipment	15,237
Right-of-use assets	71,290
Intangible assets	109
Interests in associates	47
Interests in joint ventures	9,284
Deferred tax assets	5,107
Trade receivables	30,118
Other receivables, deposits and prepayments	5,948
Amounts due from the Group	703
Amounts due from associates and joint ventures	453
Bank balances and cash	85,238
Trade and other payables	(30,324)
Amounts due to the Group	(27,006)
Amounts due to associates and joint ventures	(467)
Tax payables	(625)
Lease liabilities	(83,225)
	<u>81,887</u>
Gain on disposal is calculated as follows:	
Cash	44,325
Net assets of a subsidiary disposed of	(81,887)
Fair value of 50% retained interests in joint venture	53,819
Non-controlling interests previously recognised	3,177
Translation reserve reclassified to profit or loss	(17,689)
	<u>1,745</u>
Satisfied by:	
Cash	<u>44,325</u>
Cash consideration	44,325
Cash and bank balances disposed of	<u>(85,238)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(40,913)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the city blockade caused by the COVID-19 pandemic (“**Pandemic**”) prevention and control in Shanghai, China has a certain impact on the Group’s business despite the easing global Pandemic. Benefiting from the Group’s vigorous deployment of aviation business and air freight business and cooperation with partners, even though the Group’s business development was slightly affected, its results has improved to a certain extent as compared to that in the corresponding period in 2021.

Although the impact of the Pandemic has not totally dissipated, with the relaxation of travel bans and control policies in most countries, the Group believes that the impact of the Pandemic on the economy and the industry will be further weakened. Therefore, the Group remains cautiously optimistic about the impact of the Pandemic on the market and business in the second half of 2022, and lists the following important affecting factors resulting from the Pandemic.

The impact of Pandemic remains in the short term

Although countries are gradually relaxing the control over the Pandemic and travel bans, there remains great uncertainties on the global economy and consumption, especially with the latest Covid-19-variants Omicron BA.4 and BA.5, and that the Pandemic remains to be listed as a public health emergency of international concern by the World Health Organization. Therefore, the Group believes that even though the impact of the Pandemic is gradually weakening, it still cannot be totally eliminated in the short term.

Severe global inflation in the post-Pandemic era

Due to the Pandemic, countries have taken different monetary and fiscal policies to respond, which also played a negative role in global inflation. The Economic Outlook Report released by the Organization for Economic Cooperation and Development on 8 June 2022 indicated that the global economic growth rate is expected to slow to about 3% this year, which is 1.5 percentage points lower than the forecast value in December last year. The report lowered the economic growth rate of the euro zone this year to 2.6%, and the economic growth rate of the United States and the United Kingdom this year to 2.5% and 3.6% respectively. The Group believes that the current global inflation will further affect global production and consumption, and will also impose uncertainties on the upstream demand and cost of the global logistics industry.

Made in China and Chinese exports were not affected by the Pandemic

Since the beginning of the Pandemic, the global supply chain has been severely challenged. Chinese industrial chain plays a pivotal role in global manufacturing. Based on data from the General Administration of Customs, China's imports and exports in foreign trade were affected by the short-term impact of the Pandemic in Shanghai in the first half of 2022, but returned to normal quickly. Except for imports and exports in April 2022, which were greatly affected, imports and exports of foreign trade in May and June 2022 increased by 9.5% and 14.3% year on year respectively, representing a rapid growth trend. Therefore, the Group believes that the impact of the Pandemic on China's industrial chain will be stimulated by the gradual control of the Pandemic and the gradual relaxation of the Pandemic prevention policies, and China's trade import and export will maintain a rapid growth trend in the second half of 2022.

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\$3,439.8 million (1H2021: about HK\$3,038.3 million), representing a period-on-period increase of about 13.2%. Gross profit amounted to about HK\$364.6 million (1H2021: about HK\$328.2 million), representing a period-on-period increase of about 11.1%. Gross profit margin decreased to about 10.6% (1H2021: about 10.8%), while the net profit attributable to equity shareholders of the Company increased to about HK\$122.1 million (1H2021: HK\$97.0 million), representing a period-on-period increase of about 25.9%. The increase in profit attributable to equity shareholders of the Company was mainly attributable to (a) the increase in freight rates charged to customer due to increase in demand for container spaces under the Pandemic which boosted up the sea freight revenue of the Group; (b) the selling rate and load capacity of air freight business and chartering improved in the Reporting Period resulting in an increase in revenue of the air freight segment of the Group; and (c) the increase in other gains and losses of the Group due to rise in net foreign exchange gains resulting from the appreciation of USD.

SEGMENTAL ANALYSIS

The Group's core businesses are air and ocean freight forwarding, complemented by 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 50.7% of the Group's total revenue during the Reporting Period (1H2021: about 46.2%). Services offered by the Group mainly include arranging shipments upon receipt of booking instructions from customers, obtaining cargo spaces from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well-recognised in the logistics industry, and have 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\$1,742.8 million (1H2021: about HK\$1,404.8 million), representing an increase of about 24.1% as compared to the corresponding period of 2021. Gross profit of the segment also increased from about HK\$114.8 million in the corresponding period of 2021 to about HK\$129.5 million during the Reporting Period, representing a period-on-period increase of about 12.8%. The increase in revenue and gross profits of air freight business was due to the improvement in the selling rate and load capacity of air freight business and chartering in the Reporting Period.

Ocean Freight

Contributed about 30.1% of the Group's total revenue during the Reporting Period (1H2021: about 26.1%), the ocean freight forwarding business of the Group principally includes 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 30.5% period-on-period to about HK\$1,035.5 million (1H2021: about HK\$793.4 million). Gross profit increased to about HK\$139.2 million (1H2021: about HK\$96.4 million) due to the increase in freight rates charged to customer as a result of the increase in demand for container spaces under the Pandemic.

Logistics Services

Accounting for about 1.2% (1H2021: about 1.2%) 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\$40.0 million (1H2021: about HK\$35.7 million) and gross profit of about HK\$11.5 million (1H2021: about HK\$17.4 million) during the Reporting Period.

International Express and Parcel Services

International express and parcel services, which mainly consist of cross-border small parcels, is one of the Group's emerging businesses in recent years and also one of the important strategic sectors for the Group to respond to the booming global cross-border e-commerce market. It accounted for approximately 16.2% of the Group's total revenue for the Reporting Period (1H2021: approximately 24.5%). The Group continued 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.

During the Reporting period, the Group actively developed new products and new path of chain to further expand into the international express and parcel service market. Revenue from international express and parcel service decreased by 25.2% from approximately HK\$744.3 million for corresponding period in 2021 to approximately HK\$557.0 million. During the Reporting Period, the Group has completed the delivery of about 52 million units of parcel under the international express and parcel services (corresponding period in 2021: approximately 61 million units).

During the Reporting period, the gross profit of international express and parcel services decreased to about HK\$76.4 million (1H2021: approximately HK\$82.2 million), representing a decrease of about 7.1%, which was mainly due to decrease in the parcel services delivered by the Group.

Others

Other businesses of the Group include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involve time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other business segments recorded a revenue of about HK\$64.4 million (1H2021: about HK\$60.1 million) and gross profit of about HK\$8.0 million (1H2021: about HK\$17.3 million). The gross profit margin of other businesses decreased from 28.8% in 1H2021 to 12.4% during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has centralized financing policies and control over all its operations which enable the Group to have a tight control over its treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2022 was about HK\$1,087.6 million, representing an increase of about 6.1% from about HK\$1,024.9 million as at 31 December 2021. The current ratio of the Group slightly increased from about 1.97 times as at 31 December 2021 to about 2.19 times as at 30 June 2022.

As at 30 June 2022, the Group's bank balances and cash amounted to about HK\$749.6 million, representing an increase of about 32.0% from about HK\$567.8 million as at 31 December 2021. For the Reporting Period, the Group had operating cash inflow of about HK\$280.3 million (1H2021: operating cash outflow of about HK\$8.3 million). As at 30 June 2022, the Group's outstanding bank borrowings amounted to about HK\$1.2 million (as at 31 December 2021: about HK\$5.4 million). The gearing ratio of the Group was about 0.1% as at 30 June 2022 (as at 31 December 2021: about 0.5%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2022 and as at 31 December 2021, 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 used certain forward exchange contracts (1H2021: nil) to hedge against part of its exposure to currency risk during the Reporting Period. 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 2022, the Group did not hold any material investment.

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2022, the Group did not have any capital expenditure commitment.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liability.

CHARGE ON ASSETS

As at 30 June 2022, certain of the Group's financial asset at fair value through profit or loss of about HK\$718,000 (as at 31 December 2021: about HK\$869,000), debt investment at amortised cost of about HK\$7.1 million (as at 31 December 2021: HK\$7.1 million) together with short-term bank deposits of about HK\$11.8 million (as at 31 December 2021: about HK\$10.8 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 16 June 2022, Jumbo Channel Limited ("**Jumbo Channel**"), an indirect wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Uniserve Holdings Limited ("**Uniserve**") and OTX Logistics B.V. ("**OTX Logistics Holland**"), pursuant to which Uniserve has agreed to acquire 50% of the entire issued shares in OTX Logistics Holland from Jumbo Channel, at the consideration of EUR5,409,469 (equivalent to approximately HK\$44,325,189), subject to and in accordance with the terms and conditions of the sale and purchase agreement. Upon completion, Jumbo Channel's interest in OTX Logistics Holland is 50% and OTX Logistics Holland ceased to be an indirect wholly owned subsidiary of the Company, and its financial statements ceased to be consolidated into the Company's financial statements.

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

PROSPECTS

For the second half of 2022, the Group considers that macro-economy and international trade will be restrained by the Pandemic, inflation, geopolitics and other factors, which will promote commodity price in short term and the global economy activities will be negatively hit. According to the latest World Economy Outlook published by the World Bank in June 2022, the world economy will slow down and the risk of stagflation will increase, and it is expected that the global growth will slip from 5.7% in 2021 to 2.9% in 2022, far lower than the expectation in January this year. Despite the global economy exposes to the impact of many unignorable macro factors, the Group remains cautiously optimistic about the economic development and the Group's business in the second half of 2022 on the following major grounds:

The growth in global economic activity was not as expected due to macro factors

Against the backdrop of a global economy battered by the Pandemic, the global economy slows down resulting from geopolitics, inflation and other factors. The market may undergo a long period of sluggish growth with high inflation and increasing risk of stagflation. Based on forecast of the World Bank, the growth of developed economies will drop significantly from 5.1% in 2021 to 2.6% in 2022, and it expects the growth of emerging market and developing economies (EMDE) will also drop from 6.6% in 2021 to 3.4% in 2022, far lower than the average annual growth rate of 4.8% between 2011 and 2019. Simultaneously, high commodity prices will further exacerbate world economic inflation and exert a negative impact on global consumption to various degrees. Based on the forecast above, the Group considers that macro-economy will also have an adverse impact on the logistics industry, the upstream demand will be low and the soaring fuel prices will push up logistics costs.

The impact of the Pandemic gradually dissipated, and border control gradually relaxed

With the relaxation of the global control over the Pandemic, the world economy gradually returns to normal and the Pandemic impact will further weaken. Simultaneously, the Covid-19 Prevention and Control Plan (9th Edition) the PRC government published in June 2022 significantly reduced entry quarantine and relevant control measures in China, which further reduced the negative impact of the Pandemic on the economy and global supply chain. The Group therefore believes that the future impact of the Pandemic on the global economy will no longer be a major consideration, and the gradual relaxation of control efforts will gradually have a positive impact on consumption and production in the second half of 2022.

Further recovery of international passenger traffic

According to the World Tourism Barometer issued lately by the United Nations World Tourism Organization, global tourism is recovering vigorously. In the first quarter of 2022, international arrivals to global tourist destinations almost tripled from the same period in 2021, in particular, Europe led rebound of the whole industry. According to the World Tourism Barometer, the global tourism increased by 182% year-on-year between January and March 2022. Global tourist destinations received approximately 117 million international tourists, while this figure was only 41 million in the first quarter of 2021. 47 million were newcomers in March 2022 among the 76 million new international tourists in the first three months, indicating the pace of recovery is picking up. Meanwhile, based on statistics of International Air Transport Association (“IATA”), as of the second quarter in 2022, global passenger transport has returned to 67% before the Pandemic and with the gradual relaxation of travel restrictions, this percentage will keep rising. The Air Connectivity Index of IATA indicates that global connection has recovered to 62% of the level before the Pandemic, and domestic connection reached 88%. Although China gradually relaxed the restrictions on international travel, its international connection was only 29% of that in 2019 based on the statistics of IATA, which is significantly lower than the global average. Therefore, the Group believes that the recovery of international passenger traffic is also a favorable trend for the international aviation logistics industry, which can effectively supplement the current insufficient supply of cargo aviation.

Long-term favorable trend of Chinese export

Based on statistics of the General Administration of Customs, the total value of China’s imports and exports of trade in goods was RMB19.8 trillion in the first half of 2022, representing a year-on-year increase of 9.4%. In particular, the total value of exports was RMB11.14 trillion, representing an increase of 13.2%, and the total value of imports was RMB8.66 trillion, representing an increase of 4.8%. China’s trade imports and exports decreased in the second quarter due to the Pandemic, but quickly picked up in May and June 2022, which also reflected the vigorous vitality of China’s foreign trade industry. Therefore, the Group believes that there remains vast opportunities in China’s foreign trade export in the long run, and it also has a large market potential as an international logistics and supply chain industry.

Based on the above, the Group believes that with the gradual relaxation of the Chinese government’s response to the Pandemic, from a global vision, the negative impact of the Pandemic has been weakening, but the complicated economic and political issues will be the major factors affecting the macro environment in the second half of 2022. Nonetheless, the Group keeps adhering to the strategic directions determined at the start of the year, and further implemented key strategic initiatives, promoted the Group’s business which marched towards new heights jointly with global partners taking full use of the Group’s advantages in the supply chain, aviation and the resources of the parent company and achieved sustainable development of its business. In this regard, the Group will maintain the following work focuses in the second half:

Enhancing the construction of agent network and service network

The Group will continue to implement the strategic planning formulated at the start of the year, and will keep consolidating and expanding the construction of agent network and service network, enhancing its global service capacity and its strategic foundation in the second half of 2022. The Group will put more resources into such strategic directions, attain resources sharing and capacity exchange with partners and conduct in-depth cooperations in various aspects including international express and parcel services, air charter, warehousing logistics and international supply chain.

While enhancing the existing network, the Group is also exploring new partners and expanding service coverage and putting more resources into the Asia-Pacific region to form a strong business service network coverage, and attract more quality partners to join in YTO network within the region through strategic cooperation, franchising, investment and M&As and other forms.

Giving full play to the Group's advantages in aviation leveraging the resources of the parent

The Group believes that in the second half of 2022, air freight will still be unable to totally get rid of the supply shortage caused by the Pandemic. The parent company will remain to be the Group's outstanding advantage in the air freight forwarding segment, and the Group is also willing to further consolidate its competitive advantages in the international air freight sector by strengthening the resource linkage with the parent company. Simultaneously, the airline products recently developed by the Group, such as the China-Japan route, have formed excellent business standards in the industry, and also contributed considerable gross profit to the Group. Therefore, the Group will keep deepening its cooperation with the parent company in the second half of 2022, and build more advantageous routes for intercontinental aviation by introducing wide-body all-cargo aircrafts to achieve new breakthroughs in the sector of air freight.

Accelerating expansion of international supply chain business

Through capital investment, business cooperations and other means, the Group accelerates the establishment of supply chain globally, and accelerates investment in local transportation, warehousing and logistics in key regions such as Europe, the Middle East, Southeast Asia, and North America, and promotes the Group's end-to-end international supply chain solutions, so as to form a new business development segment of the Group and achieve further growth in revenue and profitability.

Accelerating technological transformation and improving business empowerment

Enhancing technological investment is key to promoting business development of the Group, and enhancing operational efficiency and service quality through digital transformation is also the unchanging strategy of the Group. With the step-by-step deployment of the core

information system CMC2.0 of the Group to branches around the globe, the Group's business efficiency and service quality will be further enhanced and this will strongly support various new business expansions of the Group.

In addition, on the established technological strategy and digital basis, the Group plans to further transform into a technology-based corporate. Through investment in advanced technology, such as IoT, big data and AI, the Group will build an entire-link digital solution for its business, and further enhance the core competitiveness of the Group's existing three major business sectors.

Looking forward, the Group believes that the international logistics and supply chain industry is a technology-intensive industry, and the way to provide the corporate and consumers with safe, convenient, efficient and intelligent logistics services will be one of the key factors of the Group's core competitiveness in future. The Group also hopes to invest more into technology, consolidate existing businesses, promote new business development and achieve value appreciation of the Group. The Group will achieve technology output, technology empowerment and technology monetization through investment in information technology and cloud platform, and accelerate the evolution and upgrade of the Group from a conventional international logistics supply chain enterprise to a logistics technology enterprise. In particular, the Group will build an international logistics platform with core technology advantages leveraging the existing technology platform and the parent company's foundation on logistics cloud service, form a technology-centric YTO international logistics service network catering to customers and partners and provide global enterprises and individual users with digital logistics and value-added services based on a unified platform.

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

HUMAN RESOURCES

As at 30 June 2022, the Group employed about 894 employees (as at 31 December 2021: about 962 employees). During the Reporting Period, employee cost, including Directors' remuneration, was about HK\$174,691,000 (1H2021: about HK\$147,069,000). 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 (1H2021: nil).

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of 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 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, 24 August 2022

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. Yang Xinwei and Mr. Chen Dong; and three independent non-executive Directors, namely, Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John.