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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in YTO Express (International) Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**(I) CONTINUING CONNECTED TRANSACTION –
MASTER SERVICE AGREEMENT:
REVISION OF ANNUAL CAPS FOR THE YEARS ENDING
31 DECEMBER 2022, 2023 AND 2024
(II) PROPOSED CHANGE OF COMPANY NAME
(III) PROPOSED ADOPTION OF AMENDED AND
RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the EGM of YTO Express (International) Holdings Limited to be held at Suite 2208, 22nd Floor, Office Tower, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 23 November 2022 at 2:30 p.m. is set out on pages 53 to 56 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytoglobal.com).

If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited (“HKSCC”)), you should consult directly with your banks, brokers, custodians or HKSCC (as the case may be) to assist you in the appointment of proxy.

To safeguard the health and safety of the Shareholders and to prevent the spreading of the novel coronavirus (COVID-19) pandemic, **the Company strongly recommends Shareholders not to attend the EGM in person, and reminds the Shareholders who wish to exercise his/her/its voting rights that they should appoint the chairman of the EGM as his/her/its proxy to exercise his/her/its right to vote at the EGM.** Please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the holding of the EGM (i.e. not later than 2:30 p.m. on Monday, 21 November 2022) or the adjourned meeting (as the case may be).

References to time and dates in this circular are to Hong Kong time and dates.

2 November 2022

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DEFINITIONS

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

“Amendments”	the amendments and amendment and restatement of the Memorandum and Articles of Association to (i) reflect the proposed Change of Company name; and (ii) make certain minor housekeeping amendments to the Memorandum for the purpose of reflecting the current registered office of the Company in the Memorandum
“Articles of Association”	the amended and restated articles of association of the Company (as amended from time to time)
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Change of Company Name”	the change of the English name of the Company from “YTO Express (International) Holdings Limited” to “YTO International Express and Supply Chain Technology Limited” and adoption of the dual foreign name of the Company in Chinese of “圓通國際快遞供應鏈科技有限公司” in place of its existing dual foreign name “圓通速遞(國際)控股有限公司”
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	YTO Express (International) Holdings Limited 圓通速遞(國際)控股有限公司, a company incorporated in the Cayman Islands with limited liability, and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held at Suite 2208, 22nd Floor, Office Tower, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 23 November 2022 at 2:30 p.m. to consider and, if appropriate, to approve the resolutions contained in the notice of the EGM which is set out on pages 53 to 56 of this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the adoption of the Revised Annual Caps
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the adoption of the Revised Annual Caps
“Independent Shareholders”	Shareholders, other than YTO Global Holdings Limited, Mr. Yang Xinwei and their respective associates and any Shareholder who has material interest in the proposed Revised Annual Caps
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not connected person(s) (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	26 October 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Master Service Agreement”	the agreement dated 5 November 2021 and entered into between the Company and Yuantong where (i) the Company have appointed Yuantong Members as the Group’s agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members’ agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services
“Memorandum”	the amended and restated memorandum of association of the Company (as amended from time to time)
“Mr. Yu”	Mr. Yu Huijiao, a non-executive Director and a controlling shareholder of the Company
“New M&A”	the new amended and restated memorandum of association and articles of association of the Company with the proposed Amendments proposed to be adopted by the Shareholders at the EGM
“PRC”	the People’s Republic of China, which for the purpose of this circular and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Revised Annual Caps”	the revised annual caps as proposed for the transactions contemplated under the Master Service Agreement for each of the three years ending 31 December 2024 as set out in the section headed “(I) Continuing Connected Transaction – Master Service Agreement: Revision of Annual Caps for the Years Ending 31 December 2022, 2023 and 2024” of this circular
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Yuan Jun”	上海圓鈞國際貿易有限公司 (Shanghai Yuan Jun International Trading Company Limited*), a company established in the PRC and a wholly-owned subsidiary of Yuantong, and a controlling Shareholder
“Yuantong”	圓通速遞股份有限公司 (YTO Express Group Co., Ltd.*), a joint stock limited liability company established in the PRC, and a controlling Shareholder
“Yuantong Jiaolong”	上海圓通蛟龍投資發展(集團)有限公司 (Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.*), a company established in the PRC
“Yuantong Members”	Yuantong and its subsidiaries and associated companies excluding the Group
“%”	per cent.

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

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Sun Jian (*Chief Executive Officer*)

Mr. Huang Yifeng

Non-executive Directors:

Mr. Yu Huijiao (*Chairman*)

Mr. Pan Shuimiao

Mr. Yang Xinwei

Mr. Chen Dong

Independent Non-executive Directors:

Mr. Li Donghui

Mr. Xu Junmin

Mr. Chung Kwok Mo John

Registered Office:

Third Floor

Century Yard

Cricket Square

P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

Headquarters and Principal Place of

Business in Hong Kong:

Suite 2208, 22nd Floor

Office Tower, Skyline Tower

39 Wang Kwong Road

Kowloon Bay, Kowloon

Hong Kong

2 November 2022

To the Shareholders

Dear Sir/Madam,

**(I) CONTINUING CONNECTED TRANSACTION –
MASTER SERVICE AGREEMENT:
REVISION OF ANNUAL CAPS FOR THE YEARS ENDING
31 DECEMBER 2022, 2023 AND 2024
(II) PROPOSED CHANGE OF COMPANY NAME
(III) PROPOSED ADOPTION OF AMENDED AND
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AND
NOTICE OF EGM**

1. INTRODUCTION

The purposes of this circular are to provide you with information in respect of certain resolutions to be proposed at the EGM and to give you the notice of the EGM. Resolutions to be proposed at the EGM include, *inter alia*, (a) the ordinary resolution on the adoption of the Revised Annual Caps; (b) the special resolution on the proposed Change of Company Name; and (c) the special resolution on the proposed adoption of the New M&A.

LETTER FROM THE BOARD

2. CONTINUING CONNECTED TRANSACTION – MASTER SERVICE AGREEMENT: REVISION OF ANNUAL CAPS FOR THE YEARS ENDING 31 DECEMBER 2022, 2023 AND 2024

Reference is made to the announcement of the Company dated 5 November 2021 and the circular of the Company dated 8 December 2021 in relation to, among others, the annual caps for the continuing connected transactions contemplated under the Master Service Agreement.

Master Service Agreement

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

In general, the main factor in determining whether the Group or Yuantong Members will act as agents for the relevant air and/or ocean freight services is differentiated by geographical locations for such services given that either group would not be able to provide their respective services in jurisdiction in which they have no local presence.

During the eight months ended 31 August 2022, the services provided by Yuantong Members to the Group were mainly air freight forwarding services primarily for the export of goods from the PRC points of origin where the Group did not have local office (such as Kun Ming and Nan Ning).

While during the eight months ended 31 August 2022, the services provided by the Group to Yuantong Members were mainly air freight forwarding services primarily for the import and export of goods to/from cities in the United States, Europe and Japan points of destination/origin where Yuantong Members did not have local office.

Pricing policy

- (a) *Where the Group acts as the freight forwarding agent:* The service fee to be paid by the relevant Yuantong Members in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the Group with reference to prevailing market rates. The Group implement a pricing policy which is determined by its management from time to time and is generally applicable to other Independent Third Party customers of the Group. Under such pricing policy, the international express and parcel services and/or air and ocean freight service fee to be offered by the Group to its customers will be determined with reference to the then prevailing international express and parcel services and/or air and ocean freight cost plus certain percentage of profit margin. It is currently a policy of the Group to generally maintain a profit margin of 8%. In case of profit margin that is less

LETTER FROM THE BOARD

than 8%, further approval from the management of the Group is required with a view to ensure such profit margin is fair and reasonable on a case-by-case basis. Such profit margin will be determined by the Group's management from time to time with reference to, among others, the timetable of air and ocean freight carriers, the route, popularity of the route, seasonality, and any other factors in which the Group's management from time to time may consider material. For example, (i) timetable of air and ocean freight carriers: frequency of air and/or ocean freight can affect the supply of air cargo and/or container space. As a result, it will affect the level of spaces which the Group may be able to secure for its services; (ii) route: different routes combined with various departure and destination points will offer the Group greater flexibility in setting its service fee as the Group may formulate routes depending on the air and/or ocean freight rate than prevailing at the relevant departure and/or destination point; (iii) popularity of the route: popularity affects the supply of air cargo and/or container space of the route and its price offered by airline and shipping companies, and hence affecting the Group to consider which route or modes of transportation service will be the most economical; and (iv) seasonality: supply and demand of air cargo and/or container space will be different between peak seasons and non-peak seasons. Air and ocean freight rate are usually higher during peak seasons. As air and ocean freight rate fluctuates frequently depending on market demand, the Group's management will make reference to the then prevailing air and ocean freight rate to determine the profit margin which could be charged. For example, demand for air cargo and/or container space has surge during COVID-19 pandemic which has driven up air and ocean freight rate. The then prevailing level of competition in the market and factors as mentioned above then applicable (such as seasonality and routes) may increase or decrease the profit margin which could be charged by the Group. At time when the Group is more competitive than other rivals, in terms of being able to secure more air cargo and/or container space from carries during time when less air and/or ocean freight is offered or on popular routes or during peak seasons, or being able to formulate cost saving routes by combining various departure and destination points given its ability to secure air cargo and/or container space at the relevant departure and destination points, the Group's management will then have a higher bargaining power to set a higher profit margin or maintain its profit margin level at times when the freight forwarding market is highly competitive. In this connection, the Group may grant discounts for high volume order to connected party and/or other Independent Third Party customers of the Group. Such will be determined on a case-by-case basis taking into account the factors then affecting the profit margin which could be charged by the Group, and on the basis that such profit margin to be charged will be fair and reasonable. For example, during non-peak seasons, the Group may offer discounts for high volume orders so as to maximise the utilisation of all available air cargo and/or container spaces which the Group has already purchased.

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- (b) *Where Yuantong Members acts as the freight forwarding agent:* The service fee to be paid by the relevant member of the Group in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant Yuantong Members with reference to prevailing market rates. The Group will obtain quotation from at least two Independent Third Party freight forwarder service providers and compare it with the terms offered by Yuantong Members for the provision of international express and parcel services and/or air and ocean freight services (where applicable). When assessing the price and terms offered by Yuantong Members, the Group will take into account the freight/parcel volume and size, nature and requirements of items on freight, international express and parcel services charges and/or air and ocean freight charges otherwise offered by other Independent Third Party freight forwarder service providers of comparable services, the track record and reputation of other Independent Third Party freight forwarder service providers as compared with Yuantong Members and the Group's own budget and financial position. The Group's management will consider and compare the applicable criteria as specified above on case-by-case basis and will only approve to place order with Yuantong Members whereby the terms and conditions of such order is considered to be on normal commercial terms; and on terms which the Group's management considers to be no less favourable to the Group than terms offered by Independent Third Parties to the Group for services of comparable quality.

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

Up to the Latest Practicable Date, no change has been made to the Master Service Agreement since its execution in November 2021.

Revision of Annual Caps

Due to the unanticipated increase in demand for the provision of international express and parcel services and air and/or ocean freight services, the Directors noted that based on the unaudited amount of (i) the service fees paid to Yuantong Members; and (ii) the income received from Yuantong Members, under the Master Service Agreement for the eight months ended 31 August 2022 amount to approximately HK\$65.0 million and HK\$244.7 million. As such, the transaction amount of the service fees to be paid to Yuantong Members and the income to be received from Yuantong Members under the Master Service Agreement is approaching its existing annual cap of HK\$69.7 million and HK\$366.4 million, respectively, for the year ending 31 December 2022.

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The unexpected increase in demand from the Group for provision of services by Yuantong Members under the Master Service Agreement was mainly due to the commencement of a new business area (“**New Business Area**”) in the line of supply chain logistics service provided for a number of sizeable PRC mobile manufacturers, in particular, for their respective export routes from the PRC, including from Kun Ming* (昆明), covering the Western PRC, and Nan Ning* (南寧), covering part of the Southern PRC, to various large cities in Asian countries.

The unexpected increase in demand from Yuantong Members for provision of services by the Group under the Master Service Agreement was mainly due to (i) air freight services in connection with routes between the PRC and cities in (a) the United States; (b) Europe; and (c) Japan routes. Such increase was attributable to larger scale business which include, among others, existing PRC – Japan routes had reached as much as a monthly loading of over 360,000 kg in two out of three months between July to September 2022, PRC – France routes had reached as much as a monthly loading of over 22,000 kg in 2022, which were higher than originally expected; and (ii) to a certain extent, global trade activities were impacted by the war in Ukraine during the first half of 2022, with the world economies gradually adjusting its trade activities to this event.

In light of the above and taking into account the expected demand of the Group and Yuantong Members for the services under the Master Service Agreement for the remaining quarter of 2022, the Company proposes to revise the annual caps in respect of (i) the service fees to be paid to Yuantong Members; and (ii) the income to be received from Yuantong Members under the Master Service Agreement for the three years ending 31 December 2024 (the “**Revised Annual Caps**”).

Set out below are the (i) original annual caps contemplated under the Master Service Agreement for each of the three years ending 31 December 2024; (ii) actual transaction amount of the annual caps under the Master Service Agreement for the year/period as specified below; and (iii) the Revised Annual Caps for the three years ending 31 December 2024:

	Original annual caps			Actual transaction amount		Revised Annual Caps		
	for the years ending 31 December			for the	for the	for the years ending 31 December		
	2022	2023	2024	year ended	eight months	2022	2023	2024
(HK\$ million)	(HK\$ million)	(HK\$ million)	31 December	ended 31 August	2022	(HK\$ million)	(HK\$ million)	(HK\$ million)
			2021	2022	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)
			(HK\$ million)	(HK\$ million)	(audited)	(unaudited)		
(i) Service fees to be paid to Yuantong Members	69.7	83.6	100.3	323.8	65.0	183.7	1,062.6	1,552.0
(ii) Income to be received from Yuantong Members	366.4	465.6	558.8	215.1	244.7	510.2	1,040.3	1,097.2

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

- (i) the historical actual amount of (a) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members; and (b) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the year ended 31 December 2021 and the eight months ended 31 August 2022;
- (ii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;
- (iii) the expected growth of approximately 478% and 46% in demand of international express and parcel services and air and ocean freight services to be provided by Yuantong Members for the years ending 31 December 2023 and 2024, respectively. The basis for the expected significant rate of increase in the Revised Annual Cap for service fees to be paid to Yuantong Members for the year ending 31 December 2023 is mainly attributable to (i) the expansion and development of the New Business Area; and (ii) the planned increase in export routes between the PRC cities and subject sizeable city(ies) in the Asian countries from six in 2022 to eight in 2023 (“**New Supply Chain Logistics Routes**”). The Group targets to operate the supply chain logistics services, through engaging Yuantong Members to provide various parts of the supply chain logistics services in the PRC, with a view to cover the eight New Supply Chain Logistics Routes. While the existing and target customers of the New Supply Chain Logistics Routes are primarily located in the Pearl River Delta region in 2022, moving forward to 2023, the Group expects to expand its target customers to cover locations in the Yangtze River Delta region. In addition to mobile manufacturers currently covered under the New Business Area, the Group will also target customers in the electronic industry. In this connection, the Group’s management estimated that the volume to be handled by the Group will increase from the estimated 800,000 kg per month in 2022 to in excess of 1,700,000 kg per month in 2023, covering products such as mobile phones, mobile phone batteries, mobile phone accessories as well as other electronic goods, for its air freight services, subject to the prevailing demand from the then customers, the corresponding additional service expenses are estimated to be close to HK\$50.0 million a month, equivalent to the region of HK\$600 million for the year ending 31 December 2023, which accounted for most of the increase in the Revised Annual Cap for service fees to be paid to Yuantong Members for the year ending 31 December 2023. The Group’s management estimated the aforesaid growth from 800,000 kg per month in 2022 to in excess of 1,700,000 kg per month in 2023, which is mainly attributable to the further development of the New Business Area and the New Supply Chain Logistics Routes in areas of

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Jiangsu Province, Zhejiang Province, Shanghai area, Anhui Province and Guangdong Province in 2023, such rate of growth is estimated by the Group's management after taking into consideration of the geographical coverage and historical export volume of these areas as well as the Group's past experience in relation to the rate of market penetration, reach of existing and potential user population via established and/or new network, increase repeat customers usage rate, all of which may contribute towards the aforesaid growth rate. Furthermore, the Revised Annual Cap for the year ending 31 December 2023 took into account the recent volatility and increase in oil price as such has a knock on effect on the air and ocean freight costs, and in turn affects the service fees to be paid to Yuantong Members.

The basis for the expected rate of increase in the Revised Annual Cap for service fees to be paid to Yuantong Members for the year ending 31 December 2024 is mainly attributable to (i) the expected increase in service fees payable given the possibility of appreciation of Renminbi due to fluctuation of the Renminbi to Hong Kong dollar exchange rate during 2022 and increase in oil price due to the recent volatility and increase in oil price; and (ii) the estimated growth arising from the continuous development of the New Business Area and the New Supply Chain Logistics Routes in areas of Jiangsu Province, Zhejiang Province, Shanghai area, Anhui Province and Guangdong Province, which is expected to cover an expanded range of electronic products as well as other electronic goods during the years ending 31 December 2022 and 2023 and further expand into, among others, the semi-conductor manufacturing sector, vehicle and spare parts manufacturing sector as well as aerospace manufacturing sector during the year ending 31 December 2024, for its air and/or ocean freight services to be provided to a group of sizeable mobile, other electronic and semi-conductor manufacturers; and

- (iv) the expected growth of approximately 104% and 6% in demand of international express and parcel services and air and ocean freight services to be provided to Yuantong Members for the years ending 31 December 2023 and 2024, respectively. The basis for the expected significant rate of increase in the Revised Annual Cap for income to be received from Yuantong Members for the year ending 31 December 2023 is mainly attributable to the expected increase in demand of services from Yuantong Members. The historical growth of Yuantong and its subsidiaries ("**Yuantong Group**") relevant logistics business was mainly attributable to its cross-border logistics business involving overseas locations/countries. Based on the financial information as set out in the annual report of Yuantong for the year ended 31 December 2021 (the "**Yuantong 2021 Annual Report**"), including that the revenue of Yuantong Group increased by approximately RMB10.3 billion, from approximately RMB34.9 billion for the year ended 31 December 2020 to approximately RMB45.2 billion for the year

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ended 31 December 2021. The aforesaid growth in absolute amount of approximately RMB10.3 billion and in percentage terms demonstrated significant growth experienced by Yuantong Members, on this basis, the demand for its corresponding services had also increased. The growth rate and demand for Yuantong Group's logistics related services has been significant during the aforesaid period(s), thus the potential for growth of service income to be generated by the Group from providing related logistics services outside the onshore PRC locations and countries, to Yuantong Members is therefore considered to be significant as evidenced by the fact that the Revised Annual Cap for income to be received from Yuantong Members for the year ending 31 December 2023 only represent approximately 2.1% of Yuantong Group's revenue of approximately RMB45.2 billion for the year ended 31 December 2021.

The basis for the expected rate of increase in the Revised Annual Cap for income to be received from Yuantong Members for the year ending 31 December 2024 is mainly attributable to the fact that the Board would like to factor in historical and potential fluctuations in demand from Yuantong Members with a view to avoid a situation whereby the insufficient annual cap may lead to the possibility of a temporary cessation of all relevant services to Yuantong Members in a short period of time, which would cause undue disruption as well as adverse effects on the revenue of the Group.

The Group has adopted internal control measures to ensure that actual transaction amount under the Master Service Agreement will not exceed the original annual caps for the year ending 31 December 2022 before the Independent Shareholders approve the adoption of the Revised Annual Caps.

Reasons for and Benefits of the Transactions

International express and parcel services which mainly consists of cross-border small parcels of delivery business is the Group's growing business to capture the development opportunities arising from the global cross-border e-commerce business. Yuantong possesses a strong express logistic service network covering the PRC, which provides firm supports for the Group's development of end-to-end full-chain services. The Group will also benefit from the transportation and logistics business for the rest of the world brought in by Yuantong. The Directors believe that, the adoption of the proposed Revised Annual Caps will allow both the Group and Yuantong Members to continue its business cooperation. Furthermore, the Group will benefit from the expected increase in demand for the transportation and logistics for air and/or ocean freight services for the rest of the world and international express and parcel services which mainly consists of cross-border small parcels delivery services brought in by Yuantong Members, and the transportation and logistics for air freight services from the PRC to the rest of the world that Yuantong

LETTER FROM THE BOARD

Members could provide to the Group. As such, the Directors consider that the Master Service Agreement is fundamental to the business operation of, and is for the commercial benefit of, the Group.

Information on the Group and Yuantong

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

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

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

Relationships and Implications under the Listing Rules

As at the Latest Practicable Date, Yuantong is a company controlled as to over 30% by Yuantong Jiaolong, which in turn is a company owned as to 51% by Mr. Yu (a non-executive Director) and 49% by his spouse. Accordingly, Yuantong is a connected person of the Company under Rule 14A.07 of the Listing Rules.

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

Based on the proposed Revised Annual Caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on an annual basis. Accordingly, the adoption of the Revised Annual Caps is subject to the annual reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yu is a controlling Shareholder, Mr. Yang Xinwei is the cousin-in-law of the spouse of Mr. Yu, Mr. Chen Dong is a senior director of Yuantong and Mr. Pan Shuimiao is a director and president of Yuantong. As such, Mr. Yu, Mr. Yang Xinwei, Mr. Chen Dong and Mr. Pan Shuimiao are materially interested in the continuing connected transactions under the Master Service Agreement, they have abstained from voting on the resolutions passed at the Board meeting for approving the adoption of the Revised Annual Caps. Save for the Directors mentioned above, none of the other Directors is or is deemed to have a material interest in the above transactions.

LETTER FROM THE BOARD

Establishment of Independent Board Committee and Appointment of Independent Financial Adviser

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

3. PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “YTO Express (International) Holdings Limited” to “YTO International Express and Supply Chain Technology Limited” and adopt the dual foreign name of the Company in Chinese of “圓通國際快遞供應鏈科技有限公司” in place of its existing dual foreign name “圓通速遞(國際)控股有限公司”.

Reasons for the Proposed Change of Company Name

The Board considers that the proposed Change of Company name is in line with the Group’s strategic business plan for future development and refreshment for its brand, and believes that the proposed Change of Company Name is to provide the Group with a fresh corporate image which will benefit future business development of the Group. Accordingly, the Board is of the view that the proposed Change of Company Name is in the best interests of the Company and the Shareholders as a whole.

Conditions for the Proposed Change of Company Name

The proposed Change of Company Name is subject to the following conditions:

- (i) the passing of the necessary special resolution by the Shareholders at the EGM to approve, amongst others, the proposed Change of Company Name; and
- (ii) the Registrar of Companies in the Cayman Islands approving the proposed Change of Company Name.

Subject to the satisfaction of all the conditions set out above, the proposed Change of Company Name will take effect from the date on which the Registrar of Companies in the Cayman Islands issues the certificate of incorporation on change of name confirming the new name has been registered. Thereafter, the Company will carry out all necessary filing procedures with the Companies Registry in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

LETTER FROM THE BOARD

Effects of the Proposed Change of Company Name

The proposed Change of Company Name will not affect any rights of the existing holders of securities of the Company or the Company's daily business operation and its financial position.

All the existing certificates of securities of the Company in issue bearing the existing name of the Company will, upon the proposed Change of Company Name becoming effective, continue to be evidence of title to such securities of the Company and will continue to be valid for trading, settlement, registration and delivery of the same number of securities of the Company in the new English name and Chinese name of the Company. As soon as the proposed Change of Company Name has become effective, any new certificates of the securities of the Company will be issued in the new English name and Chinese name of the Company. There will not be any arrangement for free exchange of the existing certificates of the securities of the Company for new certificates bearing the new English name and Chinese name of the Company.

In addition, subject to the confirmation by the Stock Exchange, the Company intends to change the English and Chinese stock short name for trading of the shares of the Company on the Stock Exchange after the proposed Change of Company Name has become effective.

4. PROPOSED ADOPTION OF AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

In view of the proposed Change of Company Name, the Board also proposes to amend and restate the Memorandum and Articles of Association to (i) reflect the proposed Change of Company Name, with effect from the same time the proposed Change of Company Name takes effect; and (ii) make certain minor housekeeping amendments to the Memorandum for the purpose of reflecting the current registered office of the Company in the Memorandum. Details of the proposed Amendments are set out in Appendix II of this circular.

The Company has been advised by its legal advisers that the proposed Amendments conform with the requirements of the Listing Rules and do not contravene the laws of the Cayman Islands, respectively. The Company also confirms that there is nothing unusual about the proposed Amendments to the Memorandum and Articles of Association for a company listed on the Stock Exchange.

The Board proposes to put forward to the Shareholders for approval at the EGM a special resolution to adopt the New M&A with the proposed Amendments. The proposed adoption of the New M&A is subject to the passing of a special resolution.

LETTER FROM THE BOARD

5. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 53 to 56 of this circular. At the EGM, resolutions will be proposed to approve, *inter alia*, the adoption of the Revised Annual Caps, the proposed Change of Company Name, and the adoption of the New M&A.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date, YTO Global Holdings Limited, Mr. Yang Xinwei and their respective associates will be required to abstain from voting on the resolutions relating to the adoption of the Revised Annual Caps at the EGM. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the adoption of the Revised Annual Caps and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolution. As at the Latest Practicable Date, YTO Global Holdings Limited held 268,229,408 Shares (representing approximately 63.84% of the total issued Shares) and Mr. Yang Xinwei held 800,000 Shares (representing approximately 0.19% of the total issued Shares).

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Due to the recent development of COVID-19 pandemic, Shareholders are reminded to refer to the section headed "9. Special Arrangements for the EGM" on pages 18 to 19 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytoglob.com). Please complete and return the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM (i.e. not later than 2:30 p.m. on Monday, 21 November 2022) or the adjourned meeting (as the case may be). The Company reminds the Shareholders who wish to exercise his/her/its voting rights that they should appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM.

LETTER FROM THE BOARD

6. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the adoption of the Revised Annual Caps is on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the adoption of the Revised Annual Caps.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular, which contains its recommendation to the Independent Shareholders as to the adoption of the Revised Annual Caps; and (ii) the letter from the Independent Financial Adviser set out on pages 22 to 52 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the adoption of the Revised Annual Caps and reasons considered by it in arriving at its opinion.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the adoption of the proposed Revised Annual Caps is on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Independent Board Committee recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the adoption of the Revised Annual Caps.

The Board considers that the special resolutions to be proposed at the EGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions at the EGM.

7. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 November 2022 to Wednesday, 23 November 2022 (both days inclusive) for the purpose of determining the right to attend and vote at the EGM. In order to be qualified for attending and voting at the EGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 17 November 2022.

LETTER FROM THE BOARD

8. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

9. SPECIAL ARRANGEMENTS FOR THE EGM

Shareholders should note that during the ongoing COVID-19 pandemic, the following precautionary measures will be taken at the EGM unless the Company should require otherwise:

- (a) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius or refuses a temperature check will not be permitted to access the meeting venue.
- (b) The Company requests each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (c) No refreshment will be served, and no corporate gifts will be distributed.
- (d) Each attendee will be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the EGM; (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions will not be permitted to access the meeting venue.

To safeguard the health and safety of the Shareholders and to prevent the spreading of the novel coronavirus (COVID-19) pandemic, **the Company strongly recommends Shareholders not to attend the EGM in person, and reminds the Shareholders who wish to exercise his/her/its voting rights that they should appoint the chairman of the EGM as his/her/its proxy to exercise his/her/its right to vote at the EGM.** A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytglobal.com). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or HKSCC), you should consult directly with your banks, brokers, custodians or HKSCC (as the case may be) to assist you in the appointment of proxy.

The Board hereby announces that Shareholders who choose not to attend the EGM in person may access the EGM through a live webcast (the “**Webcast**”).

LETTER FROM THE BOARD

All participants can participate and ask questions at the EGM. In order to do so, any Shareholders who wishes to join the EGM via Webcast must contact the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, to register no later than 2:30 p.m. on Monday, 21 November 2022 (being not less than 48 hours before the EGM) by email to **is-enquiries@hk.tricorglobal.com** or by telephone hotline **(852) 2980 1333**.

No remote voting system is provided. For the avoidance of doubt, presence through such electronic means is not counted as quorum or attendance of the EGM, and will not revoke any proxy instrument previously delivered to the Company by the same Shareholder.

Shareholders can submit questions relevant to the business of the EGM by email to **is-enquiries@hk.tricorglobal.com** in advance. The Board will arrange for as many of the questions asked to be answered as possible at the EGM.

Subject to the development of COVID-19 and the requirements or guidelines of the Government and/or regulatory authorities, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the websites of the Company (www.ytoglobal.com) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the EGM arrangements.

10. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

2 November 2022

To the Shareholders,

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTION –
MASTER SERVICE AGREEMENT:
REVISION OF ANNUAL CAPS FOR THE YEARS ENDING
31 DECEMBER 2022, 2023 AND 2024**

We refer to the circular dated 2 November 2022 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Unless the context requires otherwise, the capitalized terms used herein shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the adoption of the Revised Annual Caps, the details of which are set out in the letter from the Board, is on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Further information of its advice is set out on pages 22 to 52 of the Circular. Your attention is also drawn to the letter from the Board set forth on pages 5 to 19 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice and recommendation of the Independent Financial Adviser, we are of the opinion that the adoption of the Revised Annual Caps is on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the adoption of the Revised Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Li Donghui

Mr. Xu Junmin

Mr. Chung Kwok Mo John

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in connection with the adoption of the Revised Annual Caps for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, Floor 3
China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

2 November 2022

To: *The Independent Board Committee and the Independent Shareholders of YTO Express (International) Holdings Limited*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
MASTER SERVICE AGREEMENT
REVISION OF ANNUAL CAPS FOR THE YEARS ENDING
31 DECEMBER 2022, 2023 and 2024**

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the adoption of the revised annual caps as proposed for the transactions contemplated under the Master Service Agreement for each of the three years ending 31 December 2022, 2023 and 2024 (i.e. the “**Revised Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 2 November 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Based on the Letter from the Board, due to unanticipated increase in demand for the provision of international express and parcel services and air and/or ocean freight services, the original annual caps under Master Service Agreement for the year ending 31 December 2022, 2023 and 2024 (the “**Original Annual Caps**”) are no longer sufficient to satisfy the Group’s needs. Therefore, the Company proposes to revise the annual caps in respect of (i) the service fees to be paid to Yuantong Members; and (ii) the income to be received from Yuantong Members under the Master Service Agreement for the three years ending 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Yuantong is a company controlled as to over 30% by Yuantong Jiaolong, which in turn is a company owned as to 51% by Mr. Yu (a non-executive Director) and 49% by his spouse. Accordingly, Yuantong is a connected person of the Company under Rule 14A.07 of the Listing Rules.

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

Based on the proposed Revised Annual Caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on an annual basis. Accordingly, the adoption of the Revised Annual Caps is subject to the annual reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As set out in the Letter from the Board, YTO Global Holdings Limited, Mr. Yang Xinwei, and their respective associates will be required to abstain from voting on the resolutions relating to the adoption of the Revised Annual Caps at the EGM. As at the Latest Practicable Date, YTO Global Holdings Limited held 268,229,408 Shares (representing approximately 63.84% of the total issued Shares) and Mr. Yang Xinwei held 800,000 Shares (representing approximately 0.19% of the total issued Shares). Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the adoption of the Revised Annual Caps and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolution.

II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on, among other things, whether the adoption of the Revised Annual Caps are fair and reasonable, and whether the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Our appointment has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to (i) whether the adoption of the Revised Annual Caps are conducted in the ordinary and usual course of business, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the adoption of the Revised Annual Caps at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. In the previous two years, save for our appointment as the independent financial adviser for (i) the connected transaction in relation to the proposed issue of new shares under the share award plan to connected persons pursuant to specific mandate as set out in the circular dated 13 September 2021; and (ii) the continuing connected transactions in relation to the master service agreement and the master charter agreement as set out in the circular dated 8 December 2021, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any other transaction. Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the independent financial adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management (for which they are solely and wholly responsible), were true and accurate at the time they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not, however, for the purpose of this exercise, conducted any independent verification, investigation or audit into the information provided by the Directors and the Management, business or affairs or future prospects of the Company, Yuantong Members and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the adoption of the Revised Annual Caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the adoption of the Revised Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1. Background information of the Group

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

1.2. Historical financial performance of the Group

The following sets out the financial information of the Group as extracted and summarised from the Group's published annual report for the year ended 31 December 2021 (the "**2021 Annual Report**") and the Group's published interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the Group's revenue by operating segment:

	For the six months ended		For the year ended	
	30 June		31 December	
	2022	2021	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
- Air freight	1,742,798	1,404,840	3,361,805	3,062,518
- Ocean freight	1,035,524	793,375	2,004,190	817,371
- Logistics	40,046	35,748	67,162	82,778
- International express and parcel	557,004	744,284	1,949,084	952,870
- Others	<u>64,423</u>	<u>60,065</u>	<u>174,186</u>	<u>132,576</u>
Total	<u>3,439,795</u>	<u>3,038,312</u>	<u>7,556,427</u>	<u>5,048,113</u>

For the six months ended 30 June 2022 (“1H2022”) and 30 June 2021 (“1H2021”)

The Group's revenue amounted to approximately HK\$3,038.3 million and HK\$3,439.8 million for 1H2021 and 1H2022, respectively. For 1H2022, the PRC was the Group's largest geographical segment by revenue, which contributed approximately HK\$2,573.7 million, represented approximately 74.8% of the Group's total revenue, compared to 1H2021, whereby the PRC contributed approximately HK\$2,282.7 million, represented approximately 75.1% of the Group's total revenue. The increase in the Group's revenue was primarily attributable to (i) the increase in freight rates charged to customer due to increase in demand for container spaces under the COVID-19 pandemic which drove up the ocean freight revenue of the Group; and (ii) the selling rate and load capacity of air freight business and chartering improved during the 1H2022 resulting in an increase in revenue of the air freight segment of the Group.

We also noted that air freight was the Group's largest operating segment by revenue, which contributed approximately HK\$1,742.8 million, represented approximately 50.7% of the Group's total revenue for 1H2022, compared approximately HK\$1,404.8 million, represented approximately 46.2% of the Group's total revenue for 1H2021. The Group's remaining revenue was derived from ocean freight, logistics, international express and parcel, and others, which amounted to approximately HK\$1,633.5 million and HK\$1,697.0 million for 1H2021 and 1H2022, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2021 (“FY2021”) and 31 December 2020 (“FY2020”)

The Group’s revenue increased notably from approximately HK\$5,048.1 million for FY2020 to approximately HK\$7,556.4 million for FY2021. For FY2021, the PRC was the Group’s largest geographical segment by revenue, which contributed approximately HK\$5,723.7 million, represented approximately 75.7% of the Group’s total revenue, compared to FY2020, whereby the PRC contributed approximately HK\$3,645.1 million, represented approximately 72.2% of the Group’s total revenue. The increase in the Group’s revenue was primarily attributable to the substantial increase in the revenue contributed by the ocean freight segment due to the increase in the demand of sea container space and ocean container freight rates during FY2021.

The remaining revenue was contributed by Europe, North America and other Asian regions which amounted to approximately HK\$1,403.0 million and HK\$1,832.7 million for FY2020 and FY2021, respectively, which remained largely stable.

We noted that air freight was the Group’s largest operating segment by revenue, which contributed approximately HK\$3,361.8 million, represented approximately 44.5% of the Group’s total revenue for FY2021, compared approximately HK\$3,062.5 million, represented approximately 60.7% of the Group’s total revenue for FY2020. The aforesaid increase was primarily attributable to the increase in air freight rate caused by the shortage in supply of cargo space resulting from COVID-19 pandemic and related restrictive measures during FY2021.

The Group’s remaining revenue was derived from ocean freight, logistics, international express and parcel, and others, which amounted to approximately HK\$1,985.6 million and HK\$4,194.6 million for FY2020 and FY2021, respectively. Such increase was mainly attributable to (i) the increase in the revenue contributed by the ocean freight segment from approximately HK\$817.4 million during the FY2020 to approximately HK\$2,004.2 million during the FY2021, which was primarily attributable to the overall increase in the demand of sea container space and the selling price of sea container space under COVID-19 pandemic; and (ii) the increase in revenue contributed by international express and parcel services from approximately HK\$952.8 million during the FY2020 to approximately HK\$1,949.1 million during the FY2021 which was primarily attributable to the increase in air freight price and chartering costs caused by the shortage in supply of cargo space resulting from COVID-19 pandemic and related restrictive measures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Overview of the global economy and the logistics industry

The logistics industry is largely driven by global trade, including international import and export activities, which are in turn affected by the global economy. According to the Global Trade Update (July 2022) released by the United Nations Conference on Trade and Development (“UNCTAD”)¹, the value of global trade reached a record level of approximately US\$7.7 trillion in the first quarter of 2022, representing an increase of approximately US\$1 trillion compared with the first quarter of 2021, and an increase of approximately US\$250 million compared with the fourth quarter of 2021, respectively. It is also noted that the trade in goods reached approximately US\$6.1 trillion, representing an increase of approximately 25% compared with the first quarter of 2021, and an increase of approximately 3.6% compared with the fourth quarter in 2021. However, any future growth of international trade may be subject to rising interest rates going forward and the winding down of economic stimulus packages for the rest of 2022.

According to the report titled “Global Economic Prospects (June 2022)”² published by the World Bank, the global growth rate is estimated to be approximately 2.9% in 2022 as the global economies will continue to be subject to the impact of the ongoing war in Ukraine, and the continuous withdrawal of monetary policy support under a high inflation environment. Furthermore, we also noted that pursuant to the article published by the World Bank titled “China Economic Update – June 2022”³, the annual real gross domestic product (the “GDP”) growth of the PRC for 2022 has been estimated to be approximately 4.3% in 2022. Such has taken into the consideration of the impact from the containment policies of the COVID outbreak at the relevant time.

Based on a publication by the International Air Transport Association (“IATA”), being the trade association for the world’s airlines⁴, titled “Annual Review 2022” released in June 2022 (the “IATA Report”) (source: <https://www.iata.org/contentassets/c81222d96c9a4e0bb4ff6ced0126f0bb/annual-review-2022.pdf>), we noted that the global air cargo transport increased faster than the overall goods trade in 2021 which was attributable to the demand of goods rebounded strongly, and businesses often did not have sufficient inventory to meet the prevailing demand at the relevant time, inducing them to turn to air cargo for rapid restocking. The inventory restocking cycle tapered off towards the end of 2021 into early 2022 as the rebound in economic activities slowed and inflation began to rise. Nevertheless, it is estimated that air cargo traffic will grow on a year-on-year basis.

¹ Global Trade Update released by the United Nations Conference on Trade and Development (July 2022) (source: https://unctad.org/system/files/official-document/ditcinf2022d2_en.pdf)

² Global Economic Prospects (June 2022) (source: <https://www.worldbank.org/en/publication/global-economic-prospects>)

³ China Economic Update – June 2022 (source: <https://www.worldbank.org/en/country/china/publication/china-economic-update-june-2022>)

⁴ As set out in the website of IATA, it is the trade association for the world’s airlines, representing some 290 airlines or 83% of total air traffic.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Overall, economic and international trade activities have been volatile and reshaped to a large degree in 2022, attributable to the ongoing war in Ukraine, the sanctions imposed on Russia, the Sino – U.S. relations as well as the PRC government policies in relation to the containment of the COVID outbreak. Many of these uncertainties may continue to have an effect on trade activities and trade patterns going into 2023 and beyond.

3. Reasons for and benefits of the Master Service Agreement

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

Given that (i) the Group principally engages in, amongst others, provision of air freight services, ocean freight services and international express and parcel services; (ii) Yuantong Members as a whole, possess an established logistic service network in the PRC, which shall support the Group's development of end-to-end full-chain services of transportation and logistics business; (iii) the continuing connected transactions under the Master Service Agreement (the "**Continuing Connected Transactions**") are a furtherance of the Group's core businesses and will broaden the income base of the Group; (iv) the Revised Annual Caps, if approved, would facilitate the Continuing Connected Transactions for the three years ending 31 December 2022, 2023 and 2024; and (v) the Group has the right but not the obligation to seek or provide the relevant services from/to the Yuantong Members at terms determined in accordance with the Group's relevant pricing policies, we concur with the Directors' view that the adoption of the Revised Annual Caps are in the interests of the Company as a whole.

4. Background and information of the Master Service Agreement

4.1 The Master Service Agreement

Reference is made to the announcement of the Company dated 5 November 2021 and the circular of the Company dated 8 December 2021 (i.e. the "**MSA Circular**") in relation to, among others, the Original Annual Caps for the continuing connected transactions contemplated under the Master Service Agreement.

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

Principal terms of the Master Service Agreement and information on the historical transaction amount between the Group and Yuantong Members were set out in the MSA Circular.

As set out in the Letter from the Board, no change has been made to the Master Service Agreement since its execution in November 2021 up to the Latest Practicable Date. Please refer to the MSA Circular for further details on the principal terms and conditions of the Master Service Agreement and historical transaction amount.

4.2 Our analysis on the principal terms of the Master Service Agreement

For the purpose of our analysis, we have referred to the pricing policies of the Master Service Agreement (the "**Master Service Pricing Policy**"), the full text of which is set out in the MSA Circular⁵ and the Letter from the Board, a summary of which is set out below for easy reference:

- (i) *where the Group acts as the freight forwarding agent*: The service fee to be paid by the relevant Yuantong Members in respect of each of the shipments will be determined on a case-by-case basis based on arm's length negotiations with the relevant member of the Group with reference to prevailing market rates. The Group implement a pricing policy which is determined by its management from time to time and is generally applicable to other Independent Third Party customers of the Group. Under such pricing policy, the international express and parcel services and/or air and ocean freight service fee to be offered by the Group to its customers will be determined with reference to the then prevailing international express and parcel services and/or air and ocean freight cost plus certain percentage of profit margin. It is currently a policy of the Group to generally maintain a profit margin of 8%. In case of profit margin that is less than 8%, further approval from the management of the Group is required with a view to ensure such profit margin is fair and reasonable on a case-by-case basis; and

⁵ MSA Circular (source: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1207/2021120701051.pdf>)

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

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

*Our work performed on the service income under the Master Service Agreement (the “**Service Income**”)*

With a view to assess the reasonableness of the Service Income, we have obtained and reviewed a total of 12 sample transactions, including Service Income transactions under the Master Service Agreement and transactions entered into with Independent Third Parties. The aforesaid transactions were carried out during 2022, being the most recent financial year of the Company, and selected on a random basis which covered different months of 2022 involving various routes from the PRC to other countries and in relation to Service Income generated by different entities of the Group. Hence we considered such sampled transactions to be representative. In this connection, we compared the sampled Service Income transactions against similar transactions entered into between the Group and Independent Third Parties for reasonableness.

Given that the aforesaid sampled transactions included transactions between the Group and (i) Yuantong Members; and (ii) independent third parties, and that they were carried out during the year ending 31 December 2022 under the Master Service Agreement, we consider the above samples to be appropriate for the purpose of our analysis.

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Based on our work performed, which included the comparison of the relevant service income of connected sample transactions (the “**Sampled Income Connected Transaction(s)**”) against similar independent third party sample transactions (the “**Sampled Income I3P Transaction(s)**”), we noted that the service income under the Sampled Income Connected Transactions were no less favourable than the similar Sampled Income I3P Transactions, respectively.

Furthermore, the Management has also confirmed that, up to the Latest Practicable Date, the service income related continuing connected transactions entered into pursuant to the Master Service Agreement have complied with the relevant Master Service Pricing Policy.

*Our work performed on the service fee under the Master Service Agreement (the “**Service Fee**”)*

With a view to assess the reasonableness of the Service Fee, we have obtained and reviewed a total of 12 sample transactions, including Service Fee transactions under the Master Service Agreement and transactions entered into with Independent Third Parties. The aforesaid transactions were carried out during 2022, being the most recent financial year of the Company, and selected on a random basis which covered different months of 2022 involving various routes from the PRC to other countries and in relation to Service Fee generated by the Group. Hence we considered such sampled transactions to be representative. In this connection, we compared the sampled Service Fee transactions against similar transactions entered into between the Group and Independent Third Parties and/or quotations provided by Independent Third Party(ies) for reasonableness.

Given that the aforesaid sampled transactions/quotations included transactions with both Yuantong Members and Independent Third Parties and that they were carried out during the year ending 31 December 2022 under the Master Service Agreement, we consider the above samples to be appropriate for the purpose of our analysis.

Based on our work performed, which included the comparison of the relevant service fees of connected sample transactions (the “**Sampled Services Connected Transaction(s)**”) against similar independent third party sample transactions/quotations, we noted that the service fees under the Sampled Services Connected Transactions were no less favourable than the similar independent third party sample transactions/quotations, respectively.

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Furthermore, the Management has also confirmed that, up to the Latest Practicable Date, the service expense related continuing connected transactions entered into pursuant to the Master Service Agreement have complied with the relevant Master Service Pricing Policy.

Summary

Based on our work performed as set out above, we consider the terms of the sampled transactions entered into under the Master Service Agreement to be no less favourable than the similar transactions the Group entered into with Independent Third Parties. On this basis, we are of the view that the pricing and terms (i.e. the Service Income and the Service Fees) for the provision of services provided by (i) the Group to the Yuantong Members; and (ii) the Yuantong Members to the Group, under the Master Service Agreement are fair and reasonable.

5. Rationale for determining the Revised Annual Caps

5.1 Information on the Original Annual Caps and the Revised Annual Caps

The original annual caps contemplated under the Master Service Agreement for (i) the international express and parcel services and/or air and ocean freight services income (i.e. the Service Income) to be received by the Group from Yuantong Members for each of the three years ending 31 December 2022, 2023 and 2024 are HK\$366.4 million, HK\$465.6 million and HK\$558.8 million, respectively; and (ii) the international express and parcel services and/or air and ocean freight services fees (i.e. the Service Fees) paid by the Group to Yuantong Members for each of the three years ending 31 December 2022, 2023 and 2024 were HK\$69.7 million, HK\$83.6 million and HK\$100.3 million, respectively.

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As set out in the Letter from the Board that there is unanticipated increase in demand for the provision of international express and parcel services and air and/or ocean freight services, the Group proposed the Revised Annual Caps as follows:

<i>HK'million</i>	For the year ending 31 December		
	2022	2023	2024
Original Annual Caps:			
International express and parcel services and/or air and ocean freight services income	366.4 ("2022 Original Service Income Annual Cap")	465.6	558.8
International express and parcel services and/or air and ocean freight services fees	69.7 ("2022 Original Service Fee Annual Cap")	83.6	100.3
Revised Annual Caps:			
International express and parcel services and/or air and ocean freight services income (the "Revised Service Income Annual Caps")	510.2 ("2022 Service Income Annual Cap")	1,040.3 ("2023 Service Income Annual Cap")	1,097.2 ("2024 Service Income Annual Cap")
International express and parcel services and/or air and ocean freight services fees (the "Revised Service Fee Annual Caps")	183.7 ("2022 Service Fee Annual Cap")	1,062.6 ("2023 Service Fee Annual Cap")	1,552.0 ("2024 Service Fee Annual Cap")

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5.2 Information on the historical transaction amount

As set out in the Letter from the Board and as advised by the Management, the historical actual transaction amount for the years ended 31 December 2020 and 2021, the actual transaction amount for the eight months ended 31 August 2022, and the annualised transaction amount based on the eight months ended 31 August 2022 of (i) Service Income received by the Group from Yuantong Members; and (ii) Service Fees paid by the Group to Yuantong Members, are as follows:

<i>HK\$'million</i>	For the year ended 31 December		For the eight months ended
	2020	2021	31 August 2022
Transaction amount:			
International express and parcel services and/or air and ocean freight services income (i.e. the Service Income)	11.3	215.1	244.7 (Annualised amount: 367.1 ⁶)
International express and parcel services and/or air and ocean freight services fees (i.e. the Service Fees)	50.2	323.8	65.0 (Annualised amount: 97.5 ⁶)

5.3 Basis of determining the Master Service Annual Caps

We noted from the Letter from the Board that the Revised Annual Caps were determined by the Directors by reference to factors, including, among others:

- (i) the historical actual amount of (a) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members; and (b) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the year ended 31 December 2021 and the eight months ended 31 August 2022;

⁶ The annualised amount calculated based on the transaction amount for the eight months ended 31 August 2022 is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2022.

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- (ii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;
- (iii) the expected growth of approximately 478% and 46% in demand of international express and parcel services and air and ocean freight services to be provided by Yuantong Members for the years ending 31 December 2023 and 2024, respectively; and
- (iv) the expected growth of approximately 104% and 6% in demand of international express and parcel services and air and ocean freight services to be provided to Yuantong Members for the years ending 31 December 2023 and 2024, respectively.

5.4 Our analysis on the Revised Service Income Annual Caps

With a view to assess the reasonableness of the Revised Service Income Annual Caps, we have obtained from the Management schedules setting out breakdown of potential Service Income from Yuantong Members and potential Service Fees to Yuantong Members for the three years ending 31 December 2022, 2023 and 2024 (the “**Service Income / Fee Schedules**”). The Service Income / Fees Schedules set out information such as, among others, the types of logistic services to be provided by / to members of the Group to / by members of the Yuantong Members.

Based on our discussion with the Management and our review of the Services Income / Fees Schedules, the Revised Service Income Annual Caps comprised of logistics and ancillary services to be provided to the Yuantong Members, such logistics and related services include, among others, air/ocean freight services and international express and parcel services. Air/ocean freight services to be provided to the Yuantong Members by the Group, comprise freight services, ancillary and contract logistics services business such as warehousing, distribution and customs clearance; and as for international express and parcel services to be provided to the Yuantong Members by the Group, such mainly consists of cross-border small parcels delivery services.

Based on the Service Income / Fees Schedules and our discussion with the Management that the Revised Service Income Annual Caps were primarily attributable to international express and parcel services and/or air and ocean freight services to be provided by the Group to Yuantong Members, which shall primarily cover international logistic services route, such as from/to cities in (i) United States of America (“U.S.”) and the PRC; (ii) Japan and the PRC; and (iii) Europe and the PRC; and (iv) Australia and the PRC.

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We also noted that the Group has experienced a notable higher level of demand for its services from both external parties as well as Yuantong Members, as evidenced by the increase in overall revenue of the Group for the year ended 31 December 2021 and the six months ended 30 June 2022. In connection with the 2022 Service Income Annual Cap, we also understand from the Management that the volume of air freight services previously provided and will be provided to Yuantong Member(s) contributed towards a significant portion of the increase to the 2022 Original Service Income Annual Cap. These were related to the following areas / services, namely (i) air freight services in connection with routes between the PRC and cities in (a) the U.S.; (b) Europe; and (c) Japan. Such increase was attributable to larger scale of business expansion, among others, existing PRC - Japan routes had reached as much as a monthly loading of over 360,000 kg in two out of three months between July to September 2022, PRC - France routes had reached as much as a monthly loading of over 22,000 kg in 2022, driven by higher demand than originally expected, furthermore, the Company has been planning over the course of 2022 and targets the launch of new PRC - U.S. routes during the remaining months of 2022, including from Shanghai, Guangdong Province and Fujian Province to U.S. cities such as Los Angeles and San Francisco which is estimated, in aggregate, to reach a loading of over 200,000 kg per month over time. Based on information provided by the Management, the volume of the air freight services in relation to the above mentioned routes is expected to reach in the region of 500,000 kg per month for the remainder of the year and based on the estimated unit price, such is expected to reach a monthly transaction amount exceeding HK\$15.0 million per month; and (ii) to a certain extent, global trade activities were impacted by the war in Ukraine during the first half of 2022, with the world economies gradually adjusting its trade activities to this event during the second half of 2022.

We also noted from the Management that the Group already recorded approximately HK\$244.7 million in Service Income for the eight months ended 31 August 2022, on an annualised basis and for illustrations only, such would amount to approximately HK\$367.1 million in Service Income, which would represent over 70% of the 2022 Service Income Annual Cap. In addition to the above, the Management also considered that (i) the Group recorded approximately twenty (20) percentage points higher in revenue from its logistics and related services during the second half of 2021 compared to the first half of 2021, which contributed approximately 59.8% and 40.2% of the Group's total revenue for the year ended 31 December 2021, respectively. In the event that the Group's revenue pattern in 2022 is similar to that of the aforesaid revenue generation pattern in 2021, the expected utilisation of the 2022 Service Income Annual Cap will be even higher than the aforesaid percentage calculated based on the annualised amount; (ii) furthermore, the COVID situation and containment measures in the PRC is expected to improve over time, against this backdrop, the Management expects a comparatively higher level of activities in the second half of 2022 and with further improvement in 2023 which shall drive the demand of logistics services; and (iii) the Renminbi to Hong Kong

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dollar exchange rate has fluctuated notably during 2022 from approximately RMB1:HK\$1.08 to RMB1:HK\$1.23, representing a fluctuation of approximately 13.9%. Given the abovementioned factors, the Management considered that there is a need to ensure the 2022 Service Income Annual Cap is, to the extent possible, able to cater for the aforesaid historical and potential fluctuations as well as any unexpected increases with a view to avoid a situation whereby the insufficient annual caps may lead to the possibility of a temporary cessation of all relevant logistics services to Yuantong Members in a short period of time, which would cause undue disruption to the Group's operations and may adversely affect the Group's financial performance during the relevant period.

Furthermore, we have conducted the following analysis, including (i) the Service Income received by the Group from Yuantong Members amounted to approximately HK\$11.3 million for the year ended 31 December 2020 and approximately HK\$215.1 million for the year ended 31 December 2021, representing an increase of approximately HK\$203.8 million or more than 19 times; (ii) the Service Income for the eight months ended 31 August 2022 already amounted to approximately HK\$244.7 million and the Management advised that the Company expects a higher level of Service Income related business activities during the last four months of 2022 compared to the first eight months of 2022 attributable to reasons as set out in the preceding paragraph; (iii) the Service Income for the eight months ended 31 August 2022 already accounted for approximately 66.8% of the 2022 Original Service Income Annual Cap; and (iv) the fact that the Continuing Connected Transactions under the Master Service Agreement are conducted in the ordinary and usual course of the Group's business and governed by the pricing policies thereunder, the Group has the right but not the obligation to provide services to the Yuantong Members and at terms no less favourable than those to independent third parties, we considered the 2022 Service Income Annual Caps to be reasonable.

Given the Service Income is generated by the Group from providing related logistics services outside the onshore PRC locations and countries, to the Yuantong Members, in assessing the reasonableness of the 2023 Service Income Annual Cap and the 2024 Service Income Annual Cap, we have considered the following:

- (i) the historical growth of Yuantong Group's relevant logistics business, which was mainly attributable to its cross-border logistics business involving overseas locations/countries. Such is evidenced by the financial information as set out in the annual report of the Yuantong for the year ended 31 December 2021⁷ (the "**Yuantong 2021 Annual Report**"), including that the revenue of Yuantong Group increased by approximately RMB10.3 billion, from approximately RMB34.9 billion for the year ended

⁷ Source: http://www.cninfo.com.cn/new/disclosure/detail?stockCode=600233&announcementId=1213138514&orgId=gss_h0600233&announcementTime=2022-04-27

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31 December 2020 to approximately RMB45.2 billion for the year ended 31 December 2021. The aforesaid growth in absolute amount of approximately RMB10.3 billion and in percentage terms demonstrated significant growth experienced by Yuantong Members, on this basis, the demand for its corresponding services had also increased. The growth rate and demand for Yuantong Group's logistics related services has been significant during the aforesaid period(s), thus the potential for growth of Service Income to be generated by the Group from providing related logistics services outside the onshore PRC locations and countries, to the Yuantong Members is therefore considered to be significant as evidenced by the fact that the 2023 Service Income Annual Cap of approximately HK\$1,040.3 million only represent approximately 2.1% of Yuantong Group's revenue of approximately RMB45.2 billion (being approximately HK\$49.7 billion⁸) for the year ended 31 December 2021 (being the latest completed financial year). Hence, the amount of the 2023 Service Income Annual Cap is reasonable.

- (ii) out of the above, approximately RMB1.8 billion and RMB4.4 billion was attributable to international express delivery and parcel services* (國際快遞及包裹服務) and freight forwarding services* (貨代服務), of which the Group may be engaged to provide such logistics services under the Master Service Agreement from time to time, representing a year-on-year increase of approximately 94.8% and 21.6%, respectively. We noted that the 2023 Service Income Annual Cap of approximately HK\$1.0 billion, only represents less than 15% of the RMB6.2 billion (equivalent to approximately HK\$6.8 billion), being the combined revenue of Yuantong Group generated from its international express delivery and parcel services and freight forwarding services. The Management advised that given the Group would, subject to reasonable terms, compete for a higher portion of Yuantong Group's orders in connection with international express and parcel services and/or air and ocean freight, which the 2023 Service Income Annual Cap of approximately HK\$1.0 billion only represents less than 15% of the combined revenue of Yuantong Group generated from its international express delivery and parcel services and freight forwarding services, which is considered to be a relatively moderate level, and the 2023 Service Income Annual Cap facilitates the Group to compete for, and if awarded, provide the international express delivery and parcel services and freight forwarding services to the Yuantong Group, thus we considered the 2023 Service Income Annual Cap amount to be justifiable;

⁸ For illustration purposes only, RMB are translated into HK\$ at a rate of RMB1: HK\$1.1 in this letter unless otherwise specified. For avoidance of doubt, this does not purport the actual exchange rate of RMB into HK\$.

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- (iii) the Group's combined revenue from air freight, ocean freight, international express and parcel amounted to approximately HK\$7.3 billion for the year ended 31 December 2021 (the "**Total Relevant Service Income**") compared to approximately HK\$4.8 billion for the year ended 31 December 2020, represented a year-on-year growth of approximately 52.1%. On this basis, the 2023 Service Income Annual Cap amount would represent only approximately 6.8% of the Total Relevant Service Income for the year ended 31 December 2021;
- (iv) we have also considered the year-on-year growth rate of the 2022 Service Income Annual Cap compared to the actual Service Income recorded by the Group of approximately HK\$215.1 million for the year ended 31 December 2021, represented an increase of approximately 137.2%. When evaluated against the rate of growth in 2023 Service Income Annual Cap, the rate of growth in 2023 Service Income Annual Cap is lower than the growth rate to the 2022 Service Income Annual Cap;
- (v) as for the 2024 Service Income Annual Cap, we compared it to the 2023 Service Income Annual Cap and noted that the growth rate was approximately 5.5%, being less than HK\$0.1 billion; and
- (vi) the fact that the 2022 Original Service Income Annual Cap was required to be renewed within a 12 month period since its previous approval due to unexpected surge in demand, which is market driven and beyond the control of the Group or the Yuantong Members. In this connection, we understand that the Management has, to the extent possible, factored in the aforesaid historical and potential fluctuations in demand with a view to avoid a situation whereby the insufficient annual caps may lead to the possibility of a temporary cessation of all relevant services to the Yuantong Members in a short period of time, which would cause undue disruption as well as adverse effects on the revenue of the Group.

Having considered the above factors and analysis, we are of the view that the Revised Service Income Annual Caps are fair and reasonable.

5.6 Our analysis on the Revised Service Fee Annual Caps

With a view to assess the reasonableness of the 2022 Service Fee Annual Cap and 2023 Service Fee Annual Cap, we have reviewed the Service Income / Fee Schedules and noted that there has been unexpected significant increase in demand for 2022 and 2023 mainly attributable to the commencement of a new business area in the line of supply chain logistics service provider for a number of sizeable PRC mobile manufacturers (the "**New Business Area**"), in particular, for their respective export routes from the PRC, including from Kun Ming* (昆明), covering the Western PRC,

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and Nan Ning* (南寧), covering parts of the Southern PRC, to various large cities in Asian countries. The aforesaid export routes are expected to increase from six in 2022 to eight in 2023 (the “**New Supply Chain Logistics Routes**”), which shall cover, where applicable, (a) Mumbai, Delhi and Chennai, being three of the largest cities by population in India; (b) Karachi and Lahore, being two of the largest cities by population in Pakistan; and (c) Dhaka, being the largest city by population in Bangladesh. The Management advised that the Group has explored and developed the New Business Area since early 2022, throughout the year, the Group has rapidly expanded its scale and service scope for the New Business Area, but the growth and development progress have been somewhat limited by the 2022 Original Service Fee Annual Cap. Furthermore, the Management has considered that for the first four months ended 30 April 2022, the Service Fee incurred by the Group amounted to approximately HK\$27.3 million and for the following four months ended 31 August 2022, the Service Fee recorded by the Group amounted to approximately HK\$37.7 million, which represented a rate of growth of approximately 38.1%. As evidenced by the fact that the highest monthly transaction amount during the four months ended 31 August 2022 amounted to a Service Fee of over HK\$12.5 million, the Management considered that the aforesaid rate of increase may be higher if major PRC cities were not subject to the then COVID containment measures which affected certain logistics activities during the relevant period. Furthermore, the Management expected that the relaxation of COVID containment measures of these major cities would drive further rate of growth as the relevant corporations would be required to catch up on their production schedule during the remaining months of 2022. Given the Management has estimated that the Group will be able to secure additional volume of 800,000 kg per month for its air freight services based on the continuous development of the New Business Area, the corresponding additional service expenses are estimated to be in excess of HK\$20.0 million a month for the remaining months of the year ending 31 December 2022.

In addition, we also noted from information provided by the Management that given the development of COVID pandemic, addition costs in relation to the compliance of various COVID-related precautions in the PRC as well as other countries, increase in fuel price, all of which contributed towards a higher than expected air freight costs in the region of HK\$12.0 million, calculated based on the estimated addition cost per flight and number of flights for the year, during the year ending 31 December 2022.

On this basis, there is an imminent need to revise the 2022 Original Service Fee Annual Cap to the 2022 Service Fee Annual Cap so as to allow the Group to choose Yuantong Members as providers for the relevant logistics services in the PRC, subject to the relevant pricing policies, with a view to ensure that the Group can provide uninterrupted logistics services to its customers.

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In connection with the 2023 Service Fee Annual Cap, as the Group continues to expand and develop the New Business Area, the Group targets to operate the supply chain logistics services, through engaging the Yuantong Member(s) to provide various parts of the supply chain logistics services in the PRC, with a view to cover the eight New Supply Chain Logistics Routes between the PRC cities and the subject sizeable city(ies) in the Asian countries. While the Group's existing and target customers of the New Supply Chain Logistics Routes are primarily located in the Pearl River Delta region in 2022. Moving into 2023, the Management will expand its target customers to cover locations in the Yangtze River Delta region. Furthermore, in addition to mobile manufacturers, the Group will also target customers in the electronic industry.

In this connection, barring unforeseen circumstances, the Management estimated that the volume to be handled by the Group will increase from the estimated 800,000 kg per month in 2022 to in excess of 1,700,000 kg per month in 2023, covering products such as mobile phones, mobile phone batteries, mobile phone accessories as well as other electronic goods, for its air freight services, subject to the prevailing demand from the then customers, the corresponding additional service expenses are estimated to be close to HK\$50.0 million a month, equivalent to the region of HK\$600 million for the year ending 31 December 2023, which accounted for most of the increase in annual cap amount under the 2023 Service Fee Annual Cap. The Management estimated the aforesaid growth from 800,000 kg per month in 2022 to in excess of 1,700,000 kg per month in 2023, which is mainly attributable to the further development of the New Business Area and the New Supply Chain Logistics Routes (as further elaborated above) in the Group's strategically targeted areas of Jiangsu Province, Zhejiang Province, Shanghai area, Anhui Province and Guangdong Province (江、浙、沪、皖、粵) (the "**Targeted PRC Regions**") in 2023, such rate of growth is estimated by the Management after taking into consideration of the geographical coverage and historical export volume of these areas as well as the Group's past experience in relation to the rate of market penetration, reach of existing and potential user population via established and/or new network, increase repeat customers usage rate, all of which may contribute towards the aforesaid growth rate. Furthermore, given the volatility of the oil price in the past twelve months from the date of the announcement, for illustration purposes, the relevant trading price of West Texas Intermediate ("**WTI**") crude oil⁹ ranged from approximately US\$65.6 per barrel to approximately US\$123.7 per barrel, representing a fluctuation of over 88%, the Management had to take into account such variable in determining the annual cap as such has a knock on effect on the air and ocean freight costs, and in turn affects the Service Income and the Service Fees as a whole.

⁹ Source: <https://oilprice.com/oil-price-charts/>

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As for the 2024 Service Fee Annual Cap, we compared it to the 2023 Service Fee Annual Cap and noted that the growth rate was approximately 46.1%. Such rate of increase is within the range of (i) the rate of increase from the 2022 Service Fee Annual Cap to the 2023 Service Fee Annual Cap; (ii) the Group's combined revenue from air freight, ocean freight, international express and parcel amounted to approximately HK\$7.3 billion for the year ended 31 December 2021 compared to approximately HK\$4.8 billion for the year ended 31 December 2020, represented a year-on-year growth of approximately 52.1%; (iii) the year-on-year rate of increase in the Group's cost of sales between year 2020 to year 2021 of approximately 58.2%; (iv) despite that the cost of sales of the Group increased by approximately 13.5% from the six months ended 30 June 2021 to the six months ended 30 June 2022, the Company still had to revise the 2022 Original Service Fee Annual Cap due to the reasons as set out above demonstrating the unpredictability nature of the underlying services; (v) the Renminbi to Hong Kong dollar exchange rate has fluctuated notably during 2022 from approximately RMB1:HK\$1.08 to RMB1:HK\$1.23, representing a fluctuation of approximately 13.9%, and that the Renminbi to Hong Kong dollar exchange rate may continue to fluctuate in the future, any appreciation of Renminbi may increase the Service Fee in Hong Kong dollar terms; (vi) the oil price has experienced substantial volatility, for illustration purposes, the relevant trading price of WTI crude oil ranged from approximately US\$65.6 per barrel to approximately US\$123.7 per barrel in the past 12 months from the date of the announcement, representing a fluctuation of over 88%, as such any material increase in oil price may increase the Service Fee in Hong Kong dollar terms; and (vii) the estimated growth arising from the continuous development of the Group's New Business Area and the New Supply Chain Logistics Routes in the Targeted PRC Regions, which the Management expects to cover an expanded range of electronic products as well as other electronic goods during the years ending 31 December 2022 and 2023 and further expand into, among others, the semi-conductor manufacturing sector, vehicle and spare parts manufacturing sector as well as aerospace manufacturing sector during the year ending 31 December 2024, for its air and/or ocean freight services to be provided to a group of sizeable mobile, other electronic and semi-conductor manufacturers.

Having considered the aforesaid analysis and factors as well as the fact that the 2022 Original Service Fee Annual Cap was required to be renewed within a 12 months period since its previous approval due to the availability of new business opportunities and unexpected surge in demand, which is market driven and within a relatively short timeframe. In this connection, we understand that the Management has, to the extent possible, factored in the aforesaid historical and potential fluctuations in demand with a view to avoid a situation whereby the insufficient annual caps may lead to the possibility of a temporary cessation of all relevant services to its customers as the Group would be required to cease engaging Yuantong Members for certain of its logistics related services in a short period of time, which

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

would cause undue disruption and adverse effects on the Group's overall reputation and operations. On this basis, we considered each of the 2022 Service Fee Annual Cap, the 2023 Service Fee Annual Cap and the 2024 Service Fee Annual Cap to be fair and reasonable.

RECOMMENDATION

Having taken into account of the above factors and reasons as set out above, we are of the view that the adoption of the Revised Annual Caps are in the interests of the Company and the Shareholders as whole, the adoption of the Revised Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the adoption of the Revised Annual Caps.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors, collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of Share(s) involved	Approximate percentage* of shareholding
Mr. Yu	Interest of controlled corporations (<i>Note 1</i>)	268,229,408	63.84%
Mr. Huang Yifeng	Beneficial owner (<i>Note 2</i>)	2,963,200	0.71%
Mr. Sun Jian	Beneficial owner (<i>Note 3</i>)	3,073,200	0.73%
Mr. Chen Dong	Beneficial owner (<i>Note 4</i>)	1,200,000	0.29%
Mr. Yang Xinwei	Beneficial owner (<i>Note 5</i>)	800,000	0.19%

Notes:

1. These Shares are held by YTO Global Holdings Limited, a company wholly owned by Yuan Jun. Yuan Jun is a company wholly owned by Yuantong, which is in turn controlled as to 31.70% by Yuantong Jiaolong, 2.93% by Mr. Yu and 2.15% by his spouse, Ms. Zhang Xiaojuan (“**Ms. Zhang**”). Yuantong Jiaolong is a company owned as to 51% by Mr. Yu and 49% by Ms. Zhang. By virtue of the SFO, Mr. Yu and Ms. Zhang are deemed to be interested in the Shares held by YTO Global Holdings Limited. Mr. Yu is (i) the chairman of the board and director of Yuantong; and (ii) chairman, director and general manager of Yuantong Jiaolong. Furthermore, Mr. Chen Dong is a senior director of Yuantong, and Mr. Pan Shuimiao is a director and president of Yuantong.
2. These shares comprise (i) 700,000 Shares held by Mr. Huang Yifeng; and (ii) 2,263,200 Shares represents the interests in award shares granted by the Company on 10 June 2021 and remain unvested.
3. These shares comprise (i) 60,000 Shares held by Mr. Sun Jian; and (ii) 3,013,200 Shares represents the interests in award shares granted by the Company on 10 June 2021 and remain unvested.
4. These Shares represents the interests in award shares granted by the Company under its share award plan on 10 June 2021 and remain unvested.
5. These Shares are held by Mr. Yang Xinwei.

(B) Long position in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of share(s) involved/amount of registered capital	Approximate percentage* of shareholding
Mr. Yu (<i>Note</i>)	Yuantong	Interest of controlled corporations	1,090,806,213	31.70%
		Beneficial owner	100,673,929	2.93%
		Interest of spouse	74,027,054	2.15%
	Yuan Jun	Interest of controlled corporations	RMB1,800,000,000	100.00%
	YTO Global Holdings Limited	Interest of controlled corporations	1,600,000,000	100.00%

Note: The relationship between Mr. Yu and the above associated corporations are set out in note 1 of part (A) of the paragraph headed “2. Disclosure of Interests – (a) Disclosure of interests of Directors – (A) Long position in ordinary shares of the Company”. YTO Global Holdings Limited, Yuantong and Yuan Jun are the direct/indirect holding companies of the Company. In this connection, Yuantong, Yuan Jun and YTO Global Holdings Limited are associated corporations of the Company within the meaning of Part XV of the SFO.

* *The percentage represents the number of shares involved divided by the number of the Company’s/the Company’s associated corporations’ issued shares or registered capital as at the Latest Practicable Date.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest and short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following person, other than a Director or the chief executive of the Company, had an interest or a short position in the Shares and underlying Shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of the Group, were as follows:

Long position in ordinary shares of the Company:

Name of shareholder	Capacity/nature of interest	Number of Share(s) involved	Approximate percentage* of the Company's issued share capital
YTO Global Holdings Limited (<i>Note</i>)	Beneficial owner	268,229,408	63.84%
Yuantong (<i>Note</i>)	Interest of controlled corporations	268,229,408	63.84%
Ms. Zhang Xiaojuan (<i>Note</i>)	Interest of controlled corporations	268,229,408	63.84%

Note: These interests are also disclosed as the interest of Mr. Yu in the paragraph headed “2. Disclosure of Interests – (a) Disclosure of interests of Directors – (A) Long position in ordinary shares of the Company”.

* *The percentage represents the number of Shares involved divided by the number of issued Shares as at the Latest Practicable Date.*

Save as disclosed above, as at the Latest Practicable Date, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed “2. Disclosure of Interests – (a) Disclosure of interests of Directors” above, no person had an interest or a short position in the Shares, or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of the Group.

(c) Directors’ service contracts

As at the Latest Practicable Date, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(d) Interest in contracts and arrangements of significance

None of the Directors had material interest in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(e) Interest in competing business

As at the Latest Practicable Date, the following Director was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (the “**Competing Business**”), as defined in the Listing Rules, details of which are set out below:

Name of Director	Mr. Yu, non-executive Director of the Company, who is also a substantial shareholder of Yuantong
Nature and scope of the Competing Business	Yuantong Members is principally engaged in the warehousing and distribution of goods as a leader in the express and courier service market in the PRC

Size of the Competing Business	Yuantong is a company listed on the Shanghai Stock Exchange (stock code: 600233), with market capitalization amounted to RMB71.9 billion as at the Latest Practicable Date
Management of the Competing Business	The positions held by the Directors in Yuantong are as follows: Mr. Yu, <i>chairman of the board</i> Mr. Chen Dong, <i>senior director</i> Mr. Pan Shuimiao, <i>director and president</i>

As at the Latest Practicable Date, since Yuantong Members' main focus was warehousing and distribution of goods through express and courier service in the PRC, the Directors considered that the operations of Yuantong Members did not affect the Group's business.

Save as disclosed, to the best of the knowledge of the Directors, none of the Directors or their respective close associates have any other interest in a business, which competes or may compete with the business of the Group.

(f) Interest in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. EXPERT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:

Name	Qualification
Red Sun Capital Limited	A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

The expert as set out above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the expert as set out above did not have any shareholding in any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any direct or indirect interest in any asset which has since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse changes in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. MISCELLANEOUS

- (a) All references to dates in this circular refer to Hong Kong dates.
- (b) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

6. DOCUMENT ON DISPLAY

A copy of the Master Service Agreement will be available for display on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytglobal.com) during the period of 14 days from the date of this circular (both days inclusive).

PROPOSED AMENDMENT OF THE MEMORANDUM

- (1) By deleting the words “YTO Express (International) Holdings Limited 圓通速遞(國際)控股有限公司” wherever they may appear and replacing them with the words “YTO International Express and Supply Chain Technology Limited 圓通國際快遞供應鏈科技有限公司”.

- (2) By deleting Paragraph 2 in its entirety and replacing it with the following: “The Registered Office of the Company shall be at the offices of Tricor Services (Cayman Islands) Limited, Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.”

PROPOSED AMENDMENT OF THE ARTICLES OF ASSOCIATION

By deleting the words “YTO Express (International) Holdings Limited 圓通速遞(國際)控股有限公司” wherever they may appear and replacing them with the words “YTO International Express and Supply Chain Technology Limited 圓通國際快遞供應鏈科技有限公司”.

NOTICE OF EGM



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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of YTO Express (International) Holdings Limited (the “**Company**”) will be held at Suite 2208, 22nd Floor, Office Tower, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Wednesday, 23 November 2022 at 2:30 p.m. for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

1. “**THAT**

- (a) the adoption of the revised annual caps for the transactions contemplated under the master service agreement (the “**Master Service Agreement**”) entered into between the Company and 圓通速遞股份有限公司 (YTO Express Group Co., Ltd.*) (“**Yuantong**”) on 5 November 2021 in relation to the provision of international express and parcel services and/or air and ocean freight services for each of the years ending 31 December 2022, 2023 and 2024 (“**Revised Annual Caps**”) in the manner as set out in the circular of the Company dated 2 November 2022 (the “**Circular**”) be and are hereby approved; and
- (b) any director of the Company (the “**Director**”) or any other person authorised by the Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he may in his absolute discretion consider necessary or desirable for or in connection with the implementation of the Revised Annual Caps and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matters referred to in this resolution.”

NOTICE OF EGM

SPECIAL RESOLUTIONS

As special business to consider and, if thought fit, pass with or without amendments, the following resolutions as special resolution:

2. “**THAT** subject to and conditional upon the necessary approval of the Registrar of Companies in the Cayman Islands being obtained, the English name of the Company be changed from “YTO Express (International) Holdings Limited” to “YTO International Express and Supply Chain Technology Limited” and the dual foreign name of the Company in Chinese of “圓通國際快遞供應鏈科技有限公司” be adopted in place of its existing dual foreign name “圓通速遞(國際)控股有限公司” (the “**Change of Company Name**”) with effect from the date on which the Registrar of Companies in the Cayman Islands issues the certificate of incorporation on change of name confirming the new name has been registered, and that any one of the Directors be and he/she is hereby authorised to do all such acts and things and execute such further documents and take all steps which, in his/her opinion, may be necessary, desirable or expedient to implement and give effect to the aforesaid change of the Company’s name and to attend to any necessary registration and/or filing for and on behalf of the Company.”

3. “**THAT** subject to the passing of the resolution numbered 2 above, and the new Company name being entered into the register of companies by the Registrar of Companies in the Cayman Islands, the amended and restated memorandum of association and the amended and restated articles of association of the Company (the “**Existing M&A**”) be amended in the manner as set out in the Circular; and the amended and restated memorandum of association and the amended and restated articles of association of the Company in the form produced to the meeting (the “**New M&A**”), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the extraordinary general meeting for the purpose of identification, which consolidates all the proposed amendments mentioned in the Circular, be approved and adopted in substitution for and to the exclusion of the Existing M&A with effect upon the proposed Change of Company Name becoming effective and that any one of the Directors be and is hereby authorised to do all things necessary to implement the adoption of the New M&A.”

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, 2 November 2022

NOTICE OF EGM

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company but must attend the EGM in person to represent the member. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. It is possible that shareholders and/or their representatives may not be able to attend in person at the venue of the EGM depending on prevailing Government regulations. Shareholders of the Company are strongly encouraged to appoint the chairman of the EGM as their proxy to vote on the resolutions, instead of attending the EGM in person.
2. In the case of joint holders of a share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share of the Company as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of votes of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 2:30 p.m. on Monday, 21 November 2022) or the adjourned meeting (as the case may be).
4. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 18 November 2022 to Wednesday, 23 November 2022 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the EGM, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at its address shown in Note 3 above for registration no later than 4:30 p.m. on Thursday, 17 November 2022.
5. In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions caused by a super typhoon" announced by the Government is/are in force in Hong Kong at or at any time after 12:00 noon on the date of the EGM, the meeting will be adjourned. The Company will post an announcement on the websites of the Company (www.ytglobal.com) and the Stock Exchange (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situation.

NOTICE OF EGM

6. Due to the recent development of the COVID-19 pandemic, shareholders of the Company are reminded to refer to section “9. Special Arrangements for the EGM” on pages 18 to 19 of the circular dated 2 November 2022 issued by the Company for details. Subject to the development of the COVID-19 and the requirements or guidelines of the Government and/or regulatory authorities, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the websites of the Company (www.ytglobal.com) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the EGM arrangements.
 7. References to time and dates in this notice are to Hong Kong time and dates.
 8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- * *Denotes English translation of the name of a Chinese company, and is provided for identification purposes only*