YTO INTERNATIONAL EXPRESS AND SUPPLY CHAIN TECHNOLOGY LIMITED
圓通國際快遞供應鏈科技有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 6123)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

During the Reporting Period:

- **the Group's revenue amounted to about HK$2,467.6 million, representing a decrease of about 28.3% as compared to that of the corresponding period of 2022 (1H2022: about HK$3,439.8 million);**
- **the Group recorded a profit attributable to equity shareholders of the Company of about HK$107.6 million (1H2022: HK$122.1 million);**
- **segment results of air freight business recorded a decrease of about 8.7% as compared to that of the corresponding period of 2022, to about HK$81.1 million (1H2022: about HK$88.8 million);**
- **segment results of ocean freight business recorded a decrease of about 63.3% as compared to that of the corresponding period of 2022, to about HK$41.3 million (1H2022: about HK$112.6 million); and**
- **segment results of international express and parcel services business recorded an increase of about 19.9% as compared to that of the corresponding period of 2022, to about HK$86.6 million (1H2022: about HK$72.2 million).**

The board (the "**Board**") of directors (the "**Directors**") of YTO International Express and Supply Chain Technology Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**"). The relevant financial figures for the six months ended 30 June 2022 (the "**1H2022**") or other dates/periods are also set out in this announcement for comparative purposes.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		(Unaudited) Six months ended 30 June	
		2023	**2022**
	NOTES	***HK$'000***	*HK$'000*
Revenue	*2*	**2,467,582**	3,439,795
Cost of sales		**(2,168,011)**	(3,075,211)
Gross profit		**299,571**	364,584
Other income		**14,717**	9,409
Administrative expenses		**(190,422)**	(239,819)
Net impairment loss recognised under expected credit loss model		**(509)**	(2,310)
Other gains or losses		**4,206**	15,450
Share of results of associates		**(138)**	1,229
Share of results of joint ventures		**15,870**	(2,125)
Finance costs		**(1,043)**	(1,648)
Profit before taxation		**142,252**	144,770
Income tax expense	*3*	**(33,860)**	(20,165)
Profit for the period	*4*	**108,392**	124,605
Profit for the period attributable to:			
Equity shareholders of the Company		**107,592**	122,105
Non-controlling interests		**800**	2,500
		108,392	124,605
		HK cents	*HK cents*
Earnings per share			
Basic	*5*	**25.74**	29.21
Diluted	*5*	**25.74**	29.21

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	(Unaudited) Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
Profit for the period	**108,392**	124,605
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Deficit on revaluation of leasehold land and buildings	**(5)**	(85)
Deferred tax arising on revaluation of leasehold land and buildings	**48**	(33)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	**217**	(617)
Share of other comprehensive income of joint ventures	**1,037**	(465)
Exchange difference arising from foreign operations	**(4,999)**	(33,253)
Reclassification adjustment upon disposal of a subsidiary	**–**	17,689
Other comprehensive income for the period	**(3,702)**	(16,764)
Total comprehensive income for the period	**104,690**	107,841
Attributable to:		
Equity shareholders of the Company	**104,280**	106,241
Non-controlling interests	**410**	1,600
Total comprehensive income for the period	**104,690**	107,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
Non-current assets			
Investment properties		**5,026**	5,393
Property, plant and equipment		**30,555**	32,383
Right-of-use assets		**45,308**	38,205
Goodwill		**491**	511
Intangible assets		**3,992**	4,119
Interests in associates		**3,434**	3,356
Interests in joint ventures		**63,390**	46,483
Deferred tax assets		**11,837**	20,995
		164,033	151,445
Current assets			
Trade receivables	*7*	**594,014**	788,987
Other receivables, deposits and prepayments		**60,596**	93,134
Contract assets		**16,304**	28,804
Financial asset at fair value through profit or loss		**714**	708
Amount due from immediate holding company		**119**	119
Amounts due from joint ventures		**12,898**	21,399
Amounts due from associates		**12,807**	14,825
Amounts due from fellow subsidiaries		**33,208**	32,482
Prepaid tax		**8,343**	6,942
Pledged bank deposits		**24,129**	38,943
A fixed bank deposit with maturity more than 3 months		–	49,119
Bank balances and cash		**1,168,256**	998,365
		1,931,388	2,073,827

	NOTES	(Unaudited) 30 June 2023 HK$'000	(Audited) 31 December 2022 HK$'000
Current liabilities			
Trade and other payables	*8*	**386,301**	435,227
Contract liabilities		**10,589**	10,404
Dividend payables		**13,866**	–
Amounts due to associates		**1,725**	1,543
Amounts due to fellow subsidiaries		**283,189**	494,286
Tax liabilities		**37,069**	23,905
Lease liabilities		**23,806**	16,068
		756,545	981,433
Net current assets		**1,174,843**	1,092,394
Total assets less current liabilities		**1,338,876**	1,243,839
Non-current liabilities			
Other payables	*8*	**1,471**	2,237
Lease liabilities		**24,712**	25,208
Deferred tax liabilities		**11,626**	5,983
		37,809	33,428
Net assets		**1,301,067**	1,210,411
Capital and reserves			
Share capital		**42,019**	42,019
Reserves		**1,250,579**	1,157,878
Total equity attributable to equity shareholders of the Company		**1,292,598**	1,199,897
Non-controlling interests		**8,469**	10,514
Total equity		**1,301,067**	1,210,411

NOTES

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim results set out in this preliminary announcement do not constitute the Group's interim financial report for the six months ended 30 June 2023 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the HKICPA. It should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the interim financial report for the six months ended 30 June 2023 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

Changes in accounting policies

The HKICPA has issued the following new and amended HKFRSs for the current accounting period of the Group.

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

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

2. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

	(Unaudited) Segment revenue Six months ended 30 June		(Unaudited) Segment results Six months ended 30 June	
	2023	**2022**	**2023**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating and reportable segments				
Air freight	1,370,550	1,742,798	81,116	88,828
Ocean freight	320,432	1,035,524	41,326	112,645
Logistics	27,384	40,046	1,256	338
International express and parcel	668,426	557,004	86,594	72,232
Others	80,790	64,423	12,799	7,964
Total	2,467,582	3,439,795	223,091	282,007
Other income			14,717	9,409
Other gains or losses			4,206	15,450
Unallocated corporate expenses			(114,451)	(159,552)
Share of results of associates			(138)	1,229
Share of results of joint ventures			15,870	(2,125)
Finance costs			(1,043)	(1,648)
Profit before taxation			142,252	144,770

3. INCOME TAX EXPENSE

	(Unaudited) Six months ended 30 June 2023 *HK$'000*	2022 *HK$'000*
Current tax		
– Hong Kong Profits Tax	15,080	13,928
– Enterprise Income Tax in the People's Republic of China (the "**PRC**")	1,485	1,132
– Vietnam Corporate Income Tax	394	1,821
– Malaysia Corporate Income Tax	247	319
– Thailand Corporate Income Tax	275	1,151
– Korea Corporate Income Tax	245	1,346
– Other jurisdictions	317	3,152
	18,043	22,849
(Over) under provision in respect of prior years		
– Hong Kong Profits Tax	(10)	(10)
– Enterprise Income Tax in the PRC	(10)	11
– Other jurisdictions	(360)	2,957
	(380)	2,958
Withholding tax on dividend received	949	435
	18,612	26,242
Deferred taxation	15,248	(6,077)
	33,860	20,165

4. PROFIT FOR THE PERIOD

	(Unaudited) Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,379	5,538
Depreciation of right-of-use assets	12,513	19,302
Amortisation of intangible assets	809	992
Net exchange gain	(4,491)	(18,372)

5. EARNINGS PER SHARE

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

	(Unaudited) Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the Company)	107,592	122,105

	(Unaudited) Six months ended 30 June	
	2023	**2022**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	417,990	417,990

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

Diluted earnings per share equaled basic earnings per share for the six months ended 30 June 2023 because the dilutive potential ordinary shares outstanding were anti-dilutive.

6. DIVIDEND

	(Unaudited) Six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
Final dividend for the year ended 31 December 2022 of HK3.3 cents (31 December 2021: HK6.5 cents) per share	13,866	27,312

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

7. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.

The following is an ageing analysis of trade receivables net of allowance for credit losses, based on invoice date, at each of the Reporting Period:

	(Unaudited) 30 June 2023	**(Audited) 31 December 2022**
	HK$'000	*HK$'000*
0–30 days	393,682	425,990
31–60 days	55,949	253,323
61–90 days	98,835	27,062
91–180 days	20,275	36,498
Over 180 days	25,273	46,114
	594,014	788,987

8. TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2023	**(Audited) 31 December 2022**
	HK$'000	*HK$'000*
Within 60 days	183,627	210,677
61–180 days	21,550	24,945
181–365 days	11,970	5,876
Over 1 year	7,533	10,262
	224,680	251,760

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2023, the outlook for global economic recovery remained uncertain. The latest World Economic Situation and Prospects released by the United Nations in the mid-year pointed out the obstinate inflation, rising interest rates and increasing uncertainties hindered the sustainable development of the world economy. The New Dynamics of Global Trade (《全球貿易最新動態》) pointed out there remained challenges for global trade resumption in the second half of the year.

In 2023, subject to factors such as macro environment and the reduction of upstream demand, the Group's performance was greatly hit in the first half of the year. The inflation and high interest rates of major world economies seriously affected the vitality of the consumption market and led to a decrease in business demand from the Group's cooperation agents and core customers, which in turn encumbered the Company's performance as a whole. However, the Group also considered that with the slowdown of the global inflation, the rate hike cycle may also be drawing to a close. Besides, the Chinese government is vigorously promoting import and export development and stimulating individual consumption, and the Group is therefore of the view that the economic development will tend to pick up in the second half of 2023.

Grim challenges remain for the world economy after the COVID-19 pandemic

The sluggish growth of the world economy in the first half of 2023 was mainly due to the tightened monetary policies of a majority of major economies, and the weak demand of residents community led to a depressed consumption market, despite the overall slowed inflation of many countries as compared to that in the second half of 2022. As described in the latest World Economic Situation and Prospects of the United Nations, there remains challenges for development of the world economy, mainly due to the tightened financial conditions, high debt level, relatively high core inflation and the unmitigated geopolitical conflicts of most economies. But the report maintains optimistic estimates of economic growth in some regions. In particular, the report considers resilient household expenditure gives rise to an upward adjustment of the growth forecast in 2023 to 1.1%. Driven by falling natural gas prices and strong consumer expenditure, EU economy is currently estimated to grow by 0.9%, and the growth rate of China will reach 5.3% in 2023 given the release of COVID-19-relevant restrictions. The Group believes pressures at the macro level is releasing, and compared to the first half of 2023, the Group is optimistic about the world economy in the second half of the year.

International logistics was under pressure at the demand side but its overall development was recovering

The international logistics industry was still in huge pressure at the demand side due to the recession of upstream demand and recovery of post-pandemic supply. However, the International Air Transport Association (IATA) revised its 2023 outlook of aviation industry in June 2023. It was expected the profitability would enhance, and the income would reach US$803 billion throughout the year. In particular, passenger transport revenue would reach US$546 billion and passenger transport volume would resume to 87.8% in 2019. The estimated air freight revenue of US$142.3 billion, though much lower than that during the COVID-19 pandemic, is far higher than US$100 billion in 2019. The international trade of the air freight industry was still potentially adversely affected by the capacity increase of the passenger transport volume, the increase in available cargo compartment capacity and the economic cooling measures taken against inflation. The return rate will see a decrease of 28.6% this year, but it still maintained a high level of return rate compared to levels before the COVID-19 pandemic. For international container transport, the Baltic and International Maritime Council (BIMCO) expected the capacity and growth rate would recover in the second half of 2023, and by the end of 2024, the total volume of major outbound routes and regional routes was expected to be about 7% higher than that in 2022. It is worth noting that freight rates of EU and US markets were under downward pressure due to the impact of new ship delivery, and the average freight rate was expected to be lower than the average level in 2019. The Group believes the overall condition of the international air freight and container transport market are under the general trend of recovery, though incomparable to that during the COVID-19 pandemic.

China's economic recovery policy accelerated pick-up of the world economy

Regardless of the World Bank, the International Monetary Fund (IMF), or the Organization for Economic Cooperation and Development, the vast majority of authoritative institutions in the world have made upward adjustment to China's growth forecast for 2023 in the mid-year. China's position as an engine of economic growth in Asia-Pacific region and the world maintained stable. In the first half of 2023, the total value of import and export in goods of China amounted to RMB20.1 trillion, representing a year-on-year increase of 2.1%, of which the export grew by 3.7%, and the scale of foreign trade exceeded RMB20 trillion for the first time in the same period in history. Under further economic stimulus policies, the Group believes the Chinese economy in the second half of 2023 would further recover from the COVID-19 pandemic and with the improvement of the world economy, especially supported by the "Belt and Road" initiative and the Regional Comprehensive Economic Partnership (RCEP), the Chinese export market would further maintain its growth momentum for many years.

FINANCIAL RESULTS

The Group's revenue during the Reporting Period was mainly contributed by the air freight, ocean freight and international express and parcel services segments. During the Reporting Period, the Group recorded revenue of about HK$2,467.6 million (1H2022: about HK$3,439.8 million), representing a period-on-period decrease of about 28.3%. Gross profit amounted to about HK$299.6 million (1H2022: about HK$364.6 million), representing a period-on-period decrease of about 17.8%. Gross profit margin is about 12.1% (1H2022: about 10.6%), while the net profit attributable to equity shareholders of the Company decreased to about HK$107.6 million (1H2022: HK$122.1 million), representing a period-on-period decrease of about 11.9%. The Group incurred one-off gains of around HK$37.0 million, which is recorded under share of results of joint ventures, mainly relating to the compensation recognised by OTX Logistics B.V. (a joint venture of the Company) from the settlement of a legal court case of a joint venture of OTX Logistics B.V.) for the six months ended 30 June 2023.

After excluding the impact of the above mentioned one-off gain, the net profit attributable to equity shareholders of the Company decreased to about HK$70.6 million (1H2022: HK$114.4 million), representing a period-on-period decrease of about 38.3%. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the decrease in profit of the Group's air freight and sea freight operations as the Group's revenue was pressurized by rising global inflationary pressures and continued geopolitical tensions, which added uncertainty to the world economy and led to a general downturn in global economic growth.

SEGMENTAL ANALYSIS

The Group's core businesses are air and ocean freight forwarding, complemented by logistics services (including warehousing, distribution and customs clearance), international express and parcel services and other businesses (comprising combine shipments, trucking, general sales agency and hand-carry services). The comprehensive range of services offered by the Group enables the Group to meet diverse customers' needs and provide cross-selling opportunities.

Air Freight

The air freight forwarding business continued to be the largest business segment of the Group, representing about 55.5% of the Group's total revenue during the Reporting Period (1H2022: about 50.7%). Services offered by the Group mainly include arranging shipments upon receipt of booking instructions from customers, obtaining cargo spaces from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well-recognised in the logistics industry, and have received numerous accolades from international organisations and major airlines since 2000, including "Top Agent Award" from Cathay Pacific Cargo each year since 2006. Consequently, the Group has become one of the preferred business partners of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

During the Reporting Period, the air freight forwarding business recorded a revenue of about HK$1,370.6 million (1H2022: about HK$1,742.8 million), representing a decrease of about 21.4% as compared to the corresponding period of 2022. Gross profit of the segment also decreased from about HK$129.5 million in the corresponding period of 2022 to about HK$110.0 million during the Reporting Period, representing a period-on-period decrease of about 15.1%. The decrease in revenue and gross profits of air freight business was due to the decrease in the demand of air freight and chartering services from the customers in the Reporting Period.

Ocean Freight

Contributed about 13.0% of the Group's total revenue during the Reporting Period (1H2022: about 30.1%), the ocean freight forwarding business of the Group principally includes organising of shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the Reporting Period, revenue of ocean freight segment decreased by about 69.1% period-on-period to about HK$320.4 million (1H2022: about HK$1,035.5 million). Gross profit decreased to about HK$64.7 million (1H2022: about HK$139.2 million) due to the decrease in freight rates charged to customer as a result of the decrease in demand for container spaces.

Logistics Services

Accounting for about 1.1% (1H2022: about 1.2%) of the Group's total revenue during the Reporting Period, the Group's services offered under the logistics services segment include warehousing, distribution and customs clearance. Warehousing includes picking and packing, labelling, quality inspection, sorting, picking-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation and enhance its transshipment capacities to cope with the market conditions. This segment achieved revenue of about HK$27.4 million (1H2022: about HK$40.0 million) and gross profit of about HK$4.3 million (1H2022: about HK$11.5 million) during the Reporting Period.

International Express and Parcel Services

International express and parcel services, which mainly consist of cross-border small parcels, is one of the Group's emerging businesses in recent years and also one of the important strategic sectors for the Group to respond to the booming global cross-border e-commerce market. It accounted for about 27.1% of the Group's total revenue for the Reporting Period (1H2022: about 16.2%). The Group continued to pay attention to the cross-border e-commerce market and consumer needs and committing to provide high-quality cross-border parcel logistics services for e-commerce platforms, merchants, and consumers.

During the Reporting Period, the Group actively developed new products and new path of chain to further expand into the international express and parcel service market. Revenue from international express and parcel service increased by 20.0% from about HK$557.0 million for corresponding period in 2022 to about HK$668.4 million. During the Reporting Period, the Group has completed the delivery of about 69 million units of parcel under the international express and parcel services (corresponding period in 2022: about 52 million units).

During the Reporting Period, the gross profit of international express and parcel services increased to about HK$107.8 million (1H2022: about HK$76.4 million), representing an increase of about 41.1%, which was mainly due to increase in the parcel services delivered by the Group.

Others

Other businesses of the Group include combined shipments, trucking, general sales agency, e-commerce business, custom clearance services and hand-carry services, the latter of which involve time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other business segments recorded a revenue of about HK$80.8 million (1H2022: about HK$64.4 million) and gross profit of about HK$12.8 million (1H2022: about HK$8.0 million). The gross profit margin of other businesses increased from 12.4% in 1H2022 to 15.8% during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has centralized financing policies and control over all its operations which enable the Group to have a tight control over its treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2023 was about HK$1,174.8 million, representing an increase of about 7.5% from about HK$1,092.4 million as at 31 December 2022. The current ratio of the Group increased from about 2.11 times as at 31 December 2022 to about 2.55 times as at 30 June 2023.

As at 30 June 2023, the Group's bank balances and cash amounted to about HK$1,168.3 million, representing an increase of about 17.0% from about HK$998.4 million as at 31 December 2022. For the Reporting Period, the Group had operating cash inflow of about HK$71.5 million (1H2022: operating cash outflow of about HK$280.3 million). As at 30 June 2023, the Group does not have outstanding bank borrowings (as at 31 December 2022: nil). The gearing ratio of the Group was 0% as at 30 June 2023 (as at 31 December 2022: about 0%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2023 and as at 31 December 2022, the Group maintained a net cash position.

FOREIGN EXCHANGE RISK

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, JPY, VND, IDR, KRW, AED and TWD among which, RMB, EUR, USD and TWD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately affected by the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period. In the corresponding period of 2022, the Group used certain forward exchange contracts to hedge against part of its exposure to currency risk. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2023, the Group did not hold any material investment.

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2023, the Group did not have any capital expenditure commitment.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liability.

CHARGE ON ASSETS

As at 30 June 2023, certain of the Group's financial asset at fair value through profit or loss of about HK$714,000 (as at 31 December 2022: about HK$708,000), together with short-term bank deposits of about HK$24.1 million (as at 31 December 2022: about HK$38.9 million) were pledged to secure certain banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Reporting Period.

PROSPECTS

The world economy is gradually recovering slowly from the quagmire after the COVID-19 pandemic, inflation, geopolitical conflicts and other adverse factors in recent years and is still under pressure. As forecast by the latest World Economic Outlook released by the World Bank, the world economy is expected to grow by 2.1% in 2023, slower than 3.1% in 2022, which indicates the economy has recovered with multiple pressures. As such, the Group considers the economic growth is not expected to be as fast as the same period of last year, which is mainly due to a number of factors in relation to the world economy, and with the passage of time and the gradual control and stabilization by major economies, the world economy will in the second half of the year will improve as compared to that of the first half of the year. The Group faces up to the current macro environment and maintains cautiously optimistic about the market in the second half of the year due to the following reasons:

Rate hike slowed down, and the global economy may pick up from the first half of the year

The overall inflation in major global economies slowed down in the first half of 2023, and driven by decline in prices of commodities such as energy and food and recovery of supply chains, the economies of European and American countries have recovered. Looking ahead to the second half of 2023, the US Federal Reserve and the European Central Bank are gradually slowing down the pace of rate hikes, and the continued decline in commodity prices from high levels will continue to ease the overall inflation in the second half of 2023. Meanwhile, the strong job market in Europe and the United States will also play certain role in supporting the personal consumption market. The United Nations raised its growth forecasts for the United States and Europe at the beginning of the year in the latest World Economic Situation and Prospects. However, the Group also noted that the tightened monetary policies in developed economies in Europe and the United States would still depress consumer spending and commercial investment. Therefore, the Group is cautiously optimistic about the development of the world economy in the second half of the year, and offers macro support for its business development, resource reserve and business decision-making in the second half of the year.

Frequent launch of policies accelerated recovery of Chinese economy in the second half of the year

Although China experienced a concentrated pandemic outbreak at the end of 2022, the economy has gradually recovered from the haze of the pandemic in the first half of 2023, and the Chinese economy is expected to achieve a moderate rebound in the second half of 2023, supported by a series of growth stablising measures of the government. The gradual recovery of consumption and the moderate recovery of investment in the real estate market will be the major driver forces, and the further improvement of domestic demand will also drive the recovery in the growth rate of China's import. Meanwhile, the Group also noted China's development in some high-tech manufacturing industries and growth in overseas expansion have also formed a strong export growth driver. Nevertheless, due to the uncertainty of the economic recovery of developed economies such as Europe and the United States, the Group expects that exports to developed economies in the second half of 2023 will still be negatively affected by their rate hikes, inflation and other factors. However, it is worth noting that according to data from the General Administration of Customs of the PRC, the growth rate of China's imports and exports to the "Belt and Road" countries in the first half of 2023 was significantly higher than that of the whole. Imports and exports of countries along the Belt and Road increased by 9.8%, 7.7 percentage points higher than the overall growth rate, accounting for 34.3% of the total, a year-on-year increase of 2.4 percentage points. In the meantime, the entry into force of the RECP will significantly facilitate China's trade with Asian economies, especially Japan, in the second half of this year. In addition, with the deepening of economic cooperation, China's exports to Africa, countries along the "Belt and Road", especially Russia, will maintain a rapid growth. Based on the above, with the support of macroeconomic policies and the recovery of economic momentum, the Group believes that China is expected to accelerate economic recovery in the second half of 2023.

International logistics has gradually recovered from the COVID-19 pandemic

The International Air Transport Association (IATA) revised its 2023 outlook of aviation industry in June 2023, expecting increased profitability and a net profit of US$9.8 billion for the year. On the cargo side, IATA expects air cargo revenue to be US$142.3 billion in 2023. While significantly lower than the US$210 billion in 2021 and US$207 billion in 2022, it was well above the US$100 billion in 2019. Affected by the recovery of passenger capacity at the end of the COVID-19 pandemic, cargo air supply was further released, while lower demand due to global inflation and sluggish consumption drove down revenue from international air transport services, but it still maintained a high level of return rate compared to levels before the COVID-19 pandemic. For the international container shipping industry, according to The Baltic and International Maritime Council (BIMCO), the world's most influential international shipping organization, under the basic scenario, the growth range of global container ocean freight volume will be 0.5%-1.5% in 2023 and 5.5%-6.5% in 2024. Freight volume and growth rates are expected to recover in the second half of 2023. Total volume on major outbound routes and regional routes is expected to be about 7% higher than that in 2022. Therefore, the Group expects that the international logistics industry will gradually shake off the abnormal supply and demand market condition during the COVID-19 pandemic, return to the pre-pandemic stability, and will continue the current overall market level in the second half of the year and improve with the economic recovery in the second half of 2023.

Cross-border e-commerce, a new growth point in the post-pandemic era

According to Oberlo, a world-renowned institution, global e-commerce growth will reach 10.4% in 2023, far exceeding the average level of global economic growth, and cross-border e-commerce has also become a new consumption mode after the COVID-19 pandemic. According to statistics from the General Administration of Customs of the PRC, in the first half of this year, the advantages and potential of China's cross-border e-commerce businesses in "Buying Globally and Selling Globally" continued to be released, with imports and exports of RMB1.1 trillion, a year-on-year increase of 16%. In particular, exports were RMB821 billion, an increase of 19.9%, and imports were RMB276 billion, an increase of 5.7%. Besides, many new Chinese cross-border e-commerce platforms, such as Temu, TikTokShop, have entered the market, bringing new vitality and support to the market. With the passage of the COVID-19 pandemic, cross-border e-commerce has gradually entered a new stage of brand-based and platform-based development, and has also become a key channel for many traditional industries and traditional enterprises to break through new markets and tap new opportunities to cope with the current weak market growth. As a senior participant in the cross-border e-commerce market, the Group also believes that with the deepening of platformization, cross-border e-commerce logistics needs more standardized, high-quality and controllable international logistics services, which will surely become one of the core drivers of the Group's future business growth.

Based on the above, the Group believes there will be challenges for global economic growth in the second half of 2023, and insufficient upstream demand in consumption, production and manufacturing under macroeconomic pressure will still have an in-negligible and negative impact on the Group's business. However, there are also business opportunities in the crisis. Thanks to the Company's own strength construction and investment in cross-border e-commerce, air cargo transportation, information technology and other strengths in recent years, the Group continues to adhere to the internationalization strategy, actively face market changes, further forges ahead leveraging its own advantages, and can also maintain a growth trend faster than the industry average in adversity. On this basis, the Group will continue to deploy in the following key directions.

Consolidating agency foundation and expanding the scale of international freight forwarding business

The Group believes that in the current global macro environment, strengthening infrastructure construction and partner expansion will be key measures for the Group to maintain its competitiveness in adversity. Therefore, in the second half of 2023, the Group will continue to strengthen business cooperation with global agents and partners, promote and complement the capabilities of partners, while strengthening the communication mechanism and linkage mechanism with agents, and further expand the scale of international freight forwarding business through "price for volume", "capacity co-building" and "business opportunity sharing". Although the Group has not achieve the results as expected due to the tightening of upstream demand from European and American countries, it maintains strong confidence in the European and American markets, and the foundation of its multi-year cooperation with European and American partners is to ensure its core competitiveness to move forward in the current macro environment. In emerging markets such as Southeast Asia, South Asia and the Middle East, the Group has strong local service capabilities, and with YTO Cargo Airlines Co., Ltd. ("**YTO Cargo**"), the Group can also form differentiated competitive advantages in the above markets and further break through the market scale.

Increasing investment in cross-border e-commerce and deepening international express business capabilities

The trillion-dollar global cross-border e-commerce market is the top priority of the Group's future development and one of the core drivers for the Group's future business growth. Based on its existing business in Japan, South Korea, Taiwan, Australia and other countries and regions, the Group will gradually promote cross-border e-commerce logistics services to other lines. Relying on the YTO Cargo's self-operated aviation advantages in Japan, South Korea and other Asian countries, as well as the route resources in the freight forwarding segment, it fully leverages its resource integration and full-link service capabilities to provide high-quality, controllable and efficient logistics services for cross-border e-commerce platforms. In addition, the Group also maintains good cooperation relationships with a number of cross-border e-commerce platforms, and will gradually increase the depth of cooperation in a line to extended manner, give full play to its scale advantages and resource advantages, gradually build overseas local service capabilities, enhance cooperation stickiness and deepen roots, and provide a business foundation for the Group's network construction. The Group has also opened up and actively cooperated with overseas local logistics enterprises to complement the full link and network service capabilities of express delivery, gradually improve the depth of the network on the basis of cross-border e-commerce, strengthen and deepen the international express business, and build the international express business into the growth core and business pillar of the Group.

Concentrating on overseas markets and promoting the development of international supply chain business

Guided and encouraged by China's policies and driven by the vast overseas market space, raw materials and other resources, more Chinese enterprises have begun to actively go overseas, from commodity exports to the global investment in production capacity. At the same time, China's global competitiveness in the high-end manufacturing industry is intensifying. According to data released by the General Administration of Customs, China's total exports of electric manned vehicles, lithium batteries and solar cells increased by 61.6% in the first half of 2023, driving the overall export growth of 1.8 percentage points. The Group believes that under the general trend and background of Chinese enterprises "going overseas", the international supply chain industry will form a strong demand trend in a long period of time. Therefore, at the end of 2022, the Group established a separate business unit for the international supply chain to form service capabilities relying on international freight forwarding and international express delivery to gradually make up for the shortcomings of the capacity and form a full-chain supply chain service capability. At present, based on existing customers, the Group has gradually increased investment in, among others, construction of overseas warehousing and regional cross-border lines services, pulled through resource coordination with the parent company, improved the Group's international supply chain business level, built an international supply chain service capability oriented by Chinese enterprises going overseas, and promoted it to become a new driving force and pillar for the Group's business development.

Focusing on customer needs and optimizing customer experience and service quality

"Customer Requirements equal YTO Mission" is the core value for the development of the Group's parent company into one of the largest express delivery companies in China over the past 20 years. The Group believes that under the current new situation and new format of international trade, customer demand has changed from simple cargo transportation to delivering products to customers through efficient, convenient, intelligent and one-stop logistics solutions on manageable, controllable and visible basis. Therefore, the Group continuously monitors the quality of business services through digital and intelligent means, and continuously optimizes services in the four core processes of international logistics: warehouse, routes, customs and distribution. At the same time, the Group takes the deployment of digital platform as an opportunity to strengthen the improvement of service quality in the whole life cycle of pre-sales, sales and after-sales, promote the specialization and intensification of customer services, further improve the existing operational efficiency, strengthen customers' business stickiness, gradually obtain market and customer recognition, and deepen and strengthen the Group's three major business segments.

Deepening digital transformation and making business breakthroughs with technology

The Group believes that the digital platform is a strong technical support to integrate the resources of the Group's three major business units, partners and the parent company, and continuous investment in technology is the key foundation for the Company's transformation from a traditional logistics company to a new generation logistics company. The Group has applied the new generation of digital management system to its subsidiaries around the world in batches. Relying on the new generation of digital system, the Group can achieve real-time control and dynamic management in terms of business development, service quality, operational efficiency, customer management and other aspects. Besides, based on the system, the Group can also enable each subsidiary to achieve unified management of a single platform for business development, product cooperation, emerging business exploration, and greatly improve its capabilities in customer acquisition, product design, financial settlement, service control and other aspects.

Looking ahead, the Group has always believed that technology investment and technological research and development are the new core competitiveness of traditional logistics enterprises, and learning from the development experience of global model enterprises and promoting business development through digital technology is the only way for transformation of a traditional logistics enterprise. The Group will concentrate on providing customers with high-quality, convenient and controllable intelligent logistics services quickly and efficiently, and providing customers with new products and new value through technical solutions for its future development.

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

HUMAN RESOURCES

As at 30 June 2023, the Group employed about 978 employees (as at 31 December 2022: about 867 employees). During the Reporting Period, employee cost, including Directors' remuneration, was about HK$138,668,000 (1H2022: about HK$174,691,000). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. During the Reporting Period, training activities have been conducted to improve the performance of sales and marketing activities and customer services.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (1H2022: nil).

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Part 2 of Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

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

By order of the Board
YTO International Express and Supply Chain Technology Limited
圓通國際快遞供應鏈科技有限公司
Yu Huijiao
Chairman

Hong Kong, 21 August 2023

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Yang Xinwei, Mr. Huang Yifeng and Mr. Sun Jian; three non-executive directors, namely, Mr. Yu Huijiao, Mr. Pan Shuimiao and Ms. Wang Lixiu; and three independent non-executive directors, namely, Mr. Li Donghui, Mr. Xu Junmin and Mr. Chung Kwok Mo John.