圓通國際

YTO Express (International) Holdings Limited
圓通速遞（國際）控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code: 6123

INTERIM REPORT 2018

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Lam Chun Chin, Spencer
(Chief Executive Officer)
Mr. Li Xianjun *(President)*

NON-EXECUTIVE DIRECTORS
Mr. Yu Huijiao *(Chairman)*
Mr. Su Xiufeng
Mr. Zhu Rui
Mr. Lin Kai

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Li Donghui
Mr. Xu Junmin
Mr. Chung Kwok Mo John

COMPANY SECRETARY
Ms. Wong Pui Wah,
HKICPA (non-practising), FCCA

AUTHORISED REPRESENTATIVES
(for the purpose of the Listing Rules)
Mr. Lam Chun Chin, Spencer
Ms. Wong Pui Wah

AUTHORISED REPRESENTATIVE
(for the purpose of the Companies Ordinance)
Ms. Wong Pui Wah

AUDIT COMMITTEE
Mr. Chung Kwok Mo John *(Chairman)*
Mr. Lin Kai
Mr. Li Donghui

REMUNERATION COMMITTEE
Mr. Xu Junmin *(Chairman)*
Mr. Yu Huijiao
Mr. Chung Kwok Mo John

NOMINATION COMMITTEE
Mr. Yu Huijiao *(Chairman)*
Mr. Li Donghui
Mr. Xu Junmin

CORPORATE GOVERNANCE COMMITTEE
Mr. Lam Chun Chin, Spencer *(Chairman)*
Mr. Li Xianjun
Mr. Li Donghui
Mr. Xu Junmin
Mr. Chung Kwok Mo John

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COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW
Chiu & Partners

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AUDITOR
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COMPANY'S WEBSITE
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STOCK CODE
6123

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board (the "Board") of directors (the "Directors") of YTO Express (International) Holdings Limited (圓通速遞（國際）控股有限公司) (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 (the "Reporting Period"). The relevant financial figures for the six months ended 30 June 2017 (the "1H2017") or other dates/periods are also set out in this report for comparative purposes.

During the Reporting Period, there was growth in the air freight business and such growth was due to the increase in demand for air freight services and new customers on board. This has enhanced the positive financial results during the Reporting Period.

FINANCIAL RESULTS

The Group's major revenue during the Reporting Period was contributed by the air freight and ocean freight businesses. During the Reporting Period, the Group recorded revenue of about HK$1,948.5 million (1H2017: about HK$1,560.8 million), representing a period-on-period rise of about 24.8%. Gross profit amounted to about HK$272.9 million (1H2017: about HK$252.2 million), representing a period-on-period increase of about 8.2%. However, due to keen competition in the market, the gross profit margin decreased to about 14.0% (1H2017: about 16.2%), while the net profit attributable to owners of the Company increased significantly to about HK$38.0 million, representing a period-on-period rise of about 93.9% (1H2017: HK$19.6 million). The increase in profit attributable to the owners of the Company was mainly due to (a) the contribution of air freight business revenue and profits to the Group from Best Loader Logistics Company Limited ("Best Loader HK") and 翼尊國際貨運代理(上海)有限公司 ("Best Loader Shanghai") which were acquired by the Group in mid of 2017; (b) the discontinuation of contract logistics business in the United States (the "USA") during the fourth quarter of 2017 which has not contributed profit to the Group; (c) the increase in demand for air freight services brought by customers in the air freight segment; (d) the decrease in provision of doubtful debts and bad debts and increase in reversal of provisions of doubtful debts in respect of outstanding trade receivables which amounted to about HK$2.1 million and about HK$4.4 million respectively; and (e) the decrease in provision of legal and professional fees during the Reporting Period after the mandatory general offer completed on 1 December 2017.

SEGMENTAL ANALYSIS

The Group's core businesses are air freight and ocean freight forwarding, complemented by the ancillary and contract logistics services, which include warehousing, distribution and customs clearance, and the other businesses, which comprise 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.

SEGMENTAL ANALYSIS (CONTINUED)

Air Freight

The cross-border small parcel delivery business is part of the air freight business. Followed by the increasing worldwide demand for online shopping of Chinese products, the demand for air freight services of cross-border small parcel delivery increased. The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 74.9% of the Group's total revenue during the Reporting Period (1H2017: about 68.0%). It principally involves arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group has received numerous accolades from international organizations and major airlines since 2000, including honours from the World Cargo Alliance and "Top Agent Award" from Cathay Pacific Cargo/Cathay Dragon each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries and delivery of small parcels for e-commerce business. During the Reporting Period, the air freight forwarding business recorded a revenue of about HK$1,458.8 million (1H2017: about HK$1,061.7 million), representing a significant increase of about 37.4% as compared to the corresponding period of 2017. Gross profit of the segment also increased from about HK$119.7 million in the corresponding period of 2017 to about HK$151.5 million during the Reporting Period, representing an increase of about 26.6% period-on-period. In respect of air import and export tonnage, the Group noted a period-on-period increase of about 17.5%.

Ocean Freight

The ocean freight segment contributed about 20.2% of the Group's total revenue during the Reporting Period (1H2017: about 26.4%), the percentage of which decreased due to the increase in revenue of air freight segment. The ocean freight forwarding business principally involves organising shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the Reporting Period, due to closure of two offices in the USA in 2017, revenue of ocean freight segment decreased by about 4.5% period-on-period to about HK$393.0 million (1H2017: about HK$411.5 million). Gross profit decreased to about HK$84.8 million (1H2017: about HK$91.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

Ancillary and Contract Logistics Services

Accounting for about 2.2% (1H2017: about 2.9%) of the Group's total revenue during the Reporting Period, the ancillary and contract logistics services business includes warehousing, distribution and customs clearance. Warehousing includes pick and pack, labelling, quality inspection, sorting, pick-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported by the Group's information technology ("IT") 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 to cope with market conditions. Consequently, this business achieved revenue of about HK$42.2 million (1H2017: about HK$44.9 million) and gross profit of about HK$23.6 million (1H2017: about HK$23.1 million).

Others

The other businesses include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other businesses recorded revenue of about HK$54.5 million (1H2017: about HK$42.7 million) and gross profit of about HK$13.0 million (1H2017: about HK$17.5 million). The gross profit margin of other businesses decreased from 41.0% in 1H2017 to 23.9% during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has centralized financing policies and control over all its operations which enables the Group to have a tight control of treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2018 was about HK$413.7 million, representing a decrease of about 4.8% from about HK$434.5 million as at 31 December 2017. The current ratio of the Group slightly decreased from about 1.65 times as at 31 December 2017 to about 1.61 times as at 30 June 2018.

As at 30 June 2018, the Group's bank balances and cash amounted to about HK$240.2 million, representing a decrease of about 3.2% from about HK$248.2 million as at 31 December 2017. For the Reporting Period, the Group had operating cash inflow of about HK$57.1 million (1H2017: operating cash inflow of about HK$79.2 million). As at 30 June 2018, the Group's outstanding bank borrowings amounted to about HK$182.8 million (as at 31 December 2017: about HK$179.8 million). The gearing ratio of the Group was about 34.7% as at 30 June 2018 (as at 31 December 2017: about 32.5%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2018 and as at 31 December 2017, the Group maintained a net cash position.

FOREIGN EXCHANGE RISK

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, CAD, TWD, JPY, VND, IDR, KRW and AED among which, RMB, EUR and USD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2017. 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.

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2018, the Group has below capital expenditure commitments (as at 31 December 2017: HK$8 million):

(i) The contingent consideration of HK$4,500,000 to be determined based on the future financial performance of Best Loader Shanghai; and

(ii) The contingent consideration of HK$500,000 to be determined based on the future financial performance of Best Loader HK.

CONTINGENT LIABILITIES

As at 30 June 2018, save as disclosed in the above capital expenditure commitments, the Group did not have any other significant contingent liabilities.

PERFORMANCE GUARANTEES

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

On Time Worldwide Logistics Limited ("On Time BVI"), a direct wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 5 May 2017 (the "First Sale and Purchase Agreement") with Air Partner Logistics Company Limited, as vendor (the "First Vendor") and Ms. Chan Yi Lam, as guarantor for the First Vendor (the "Guarantor"), in relation to the acquisition of the entire issued shares of Best Loader HK. Pursuant to the First Sale and Purchase Agreement, the First Vendor undertakes and guarantees to On Time BVI that (i) the net assets value of Best Loader HK for the year ended 31 December 2017 in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which shall be verified by the Company's auditor (the "2017 Accounts"), will be no less than HK$3.0 million (the "2017 NAV Guarantee"); (ii) the net assets value of Best Loader HK for the year ending 31 December 2018 in accordance with HKFRS, which shall be verified by the Company's auditor (the "2018 Accounts"), will be no less than HK$4.7 million (the "2018 NAV Guarantee"); and (iii) the net assets value of Best Loader HK for the year ending 31 December 2019 in accordance with HKFRS, which shall be verified by the Company's auditor (the "2019 Accounts"), will be no less than HK$7.1 million (the "2019 NAV Guarantee").

PERFORMANCE GUARANTEES (CONTINUED)

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

After the determination of the 2017 Accounts, the 2018 Accounts and the 2019 Accounts, respectively, On Time BVI shall pay to the First Vendor the remaining balance of the purchase price in the following manner: (i) HK$300,000 to the First Vendor if the 2017 NAV Guarantee is fulfilled; (ii) HK$250,000 to the First Vendor if the 2018 NAV Guarantee is fulfilled; and (iii) HK$250,000 to the First Vendor if the 2019 NAV Guarantee is fulfilled.

Based on the 2017 Accounts, the net assets value of Best Loader HK for the financial year ended 31 December 2017 was approximately HK$6.1 million. Therefore, the 2017 NAV Guarantee had been fulfilled. The Company will publish announcements to inform the shareholders of the Company whether Best Loader HK has achieved the 2018 NAV Guarantee and the 2019 NAV Guarantee after the determination of the 2018 Accounts and the 2019 Accounts.

Please refer to the announcement of the Company dated 5 May 2017 for further details in respect of the acquisition.

(B) In Relation to the Acquisition of the Entire Issued Shares of Best Loader Shanghai

On Line Service Limited ("On Line HK"), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 5 May 2017 (the "Second Sale and Purchase Agreement") with the First Vendor and the Guarantor, in relation to the acquisition of the entire issued shares of Best Loader Shanghai. Pursuant to the Second Sale and Purchase Agreement, the First Vendor undertakes and guarantees to On Line HK that (i) the net assets value of Best Loader Shanghai for the year ended 31 December 2017 in accordance with HKFRS, which shall be verified by the Company's auditor (the "2017 SH Accounts"), will be no less than HK$3.5 million (the "2017 SH NAV Guarantee"); (ii) the net assets value of Best Loader Shanghai for the year ending 31 December 2018 in accordance with HKFRS, which shall be verified by the Company's auditor (the "2018 SH Accounts"), will be no less than HK$5.3 million (the "2018 SH NAV Guarantee"); and (iii) the net assets value of Best Loader Shanghai for the year ending 31 December 2019 in accordance with HKFRS, which shall be verified by the Company's auditor (the "2019 SH Accounts"), will be no less than HK$7.9 million (the "2019 SH NAV Guarantee").

After the determination of the 2017 SH Accounts, the 2018 SH Accounts and the 2019 SH Accounts, respectively, On Line HK shall pay to the First Vendor the remaining balance of the purchase price in the following manner: (i) HK$2.7 million to the First Vendor if the 2017 SH NAV Guarantee is fulfilled; (ii) HK$2,250,000 to the First Vendor if the 2018 SH NAV Guarantee is fulfilled; and (iii) HK$2,250,000 to the First Vendor if the 2019 SH NAV Guarantee is fulfilled.

PERFORMANCE GUARANTEES (CONTINUED)

(B) In Relation to the Acquisition of the Entire Issued Shares of Best Loader Shanghai (continued)

Based on the 2017 SH Accounts, the net assets value of Best Loader Shanghai for the financial year ended 31 December 2017 was about RMB6.0 million (equivalent to about HK$7.1 million). Therefore, the 2017 SH NAV Guarantee had been fulfilled. The Company will publish announcements to inform the shareholders of the Company whether Best Loader Shanghai has achieved the 2018 SH NAV Guarantee and the 2019 SH NAV Guarantee after the determination of the 2018 SH Accounts and the 2019 SH Accounts.

Please refer to the announcement of the Company dated 5 May 2017 for further details in respect of the acquisition.

(C) In Relation to the Acquisition of the Remaining 25% Equity Interest in the Issued Share Capital of OTX Logistics Holland

Jumbo Channel Limited ("Jumbo Channel"), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 9 March 2018 (the "Third Sale and Purchase Agreement") with, among others, T.Y.D. Holding B.V. (the "Second Vendor"), in relation to the acquisition of the remaining 25% equity interest in the issued share capital of OTX Logistics B.V. ("OTX Logistics Holland"). Pursuant to the Third Sale and Purchase Agreement, the Second Vendor undertakes to Jumbo Channel that: (i) in the event that the sum of the audited consolidated net profits after tax of OTX Logistics Holland as stated in the audited accounts of the Company for each of the financial years ending 31 December 2017, 2018 and 2019, respectively, adjusted by any revaluation surplus or deficit of tangible or intangible assets (the "Accumulated Consolidated Net Profit"), shall be less than HK$18.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK$3,330,000 after completion of the audited accounts of OTX Logistics Holland for the financial year ending 31 December 2019 (the "2019 Holland Accounts"); (ii) in the event that the Accumulated Consolidated Net Profit shall be less than HK$12.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK$6,660,000 after completion of the 2019 Holland Accounts; and (iii) in the event that the Accumulated Consolidated Net Profit shall be less than HK$6.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK$10.0 million after completion of the 2019 Holland Accounts.

The Company will publish announcements to inform the shareholders of the Company whether OTX Logistics Holland has achieved the above performance guarantee after the completion of the 2019 Holland Accounts.

Please refer to the announcement of the Company dated 9 March 2018 and the circular of the Company dated 3 April 2018 for further details in respect of the acquisition.

CHARGE ON ASSETS

As at 30 June 2018, certain of the Group's trade receivables with an aggregate carrying amount of about HK$136.1 million (as at 31 December 2017: about HK$120.7 million), financial asset at fair value through profit or loss of about HK$1.0 million (as at 31 December 2017: held for trading investment of about HK$1.0 million), loan receivable of about HK$7.5 million (as at 31 December 2017: nil) together with short-term bank deposits of about HK$6.7 million (as at 31 December 2017: about HK$8.5 million) were pledged to secure certain banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group has acquired the remaining 25% equity interest in the issued share capital of OTX Logistics Holland, an indirect non-wholly owned subsidiary of the Company before completion of the acquisition, at a consideration of HK$38,000,000. Immediately after the acquisition, OTX Logistics Holland became an indirect wholly-owned subsidiary of the Company.

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

PROSPECTS

During the Reporting Period, the economic growth in European markets led to an increase in imports in European countries. Global demand for logistics and freight forwarding services, warehouse and logistics business and e-commerce business delivery services keep rising. There are also improvement in the USA and Europe's business environment. All these factors are beneficial to the Group's medium to long term growth. Moreover, the acquisition of the shares of the Company by YTO Global Holdings Limited and the acquisition of other freight forwarding companies will strengthen the Group's capacity and its global networking.

Strengthen Global Presence and Expand Office Network

To capitalize on growing demand in future, the Group has employed an aggressive market expansion strategy in Asia and the Middle East. This allows the Group to specifically meet the increasing cross-border logistics service demand, and in turn capture greater market share and trade volume. In respect of market expansion in North America, this will be facilitated by generating greater network synergies through employing quality staff, enhancing the quality of services and product and seeking strategic acquisitions.

Enhance Core Businesses with Growth Potential

Aside from enhancing its market exposure, the Group will look to bolster its core businesses including air and ocean freight operations. The contract logistics services business will also be advanced by means of broadening its range of services, which will be supported by improved customer supply chain management and implementation of a comprehensive warehouse management system.

PROSPECTS (CONTINUED)

Explore E-commerce Opportunities and Bolster IT Capability

As one of the important focus areas of the Group going forward, the Group will continue to explore opportunities for the delivery of e-commerce products in different countries other than the PRC. The Company will seek for opportunities for cooperation with post offices located in countries, such as Eastern Europe and the USA, with growing consumer markets which make purchases through the PRC e-commerce platform to tap into new markets and gain new transport business which may increase the reliance of the Group's air freight operation, warehousing and distribution capabilities and IT infrastructure.

It is expected that the Group will implement the above plans by the internal resources of the Group and/or external financing.

HUMAN RESOURCES

As at 30 June 2018, the Group employed about 1,089 employees (as at 30 June 2017: about 1,097 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2018, the interests and short positions of the Directors and the chief executive 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of shares involved	Approximate percentage* of shareholding
Mr. Lam Chun Chin, Spencer	Interest of a controlled corporation *(Note 1)*	40,224,000	9.71%
Mr. Yu Huijiao	Interest of controlled corporations *(Note 2)*	268,229,408	64.75%

Notes:

1. These shares are held by Golden Strike International Limited ("Lam Investco"), which is wholly owned by Mr. Lam Chun Chin, Spencer. By virtue of the SFO, Mr. Lam Chun Chin, Spencer is deemed to be interested in the shares of the Company held by Lam Investco.

2. These shares of the Company are held by YTO Global Holdings Limited, a company wholly owned by 上海圓鈞國際貿易有限公司 ("Yuan Jun"). Yuan Jun is a company wholly owned by 圓通速遞股份有限公司 ("YTO Express"), which is in turn owned as to 51.11% by 上海圓通蛟龍投資發展(集團)有限公司 ("Yuantong Jiaolong"). Yuantong Jiaolong is a company owned as to 51% by Mr. Yu Huijiao and 49% by his spouse, Ms. Zhang Xiaojuan. By virtue of the SFO, Mr. Yu Huijiao and Ms. Zhang Xiaojuan are deemed to be interested in the shares of the Company held by YTO Global Holdings Limited.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

(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 shares involved/amount of registered capital	Approximate percentage* of shareholding
Mr. Yu Huijiao	Yuantong Jiaolong	Beneficial owner	RMB260,100,000	51.00%
		Interest of spouse	RMB249,900,000	49.00%
	YTO Express	Interest of controlled corporations	1,579,971,414	55.81%
		Beneficial owner	133,450,083	4.72%
		Interest of spouse	98,127,852	3.47%
	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 relations between Mr. Yu Huijiao and the above associated corporations are set out in note 2 of part (A) of the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation". YTO Global Holdings Limited holds more than 50% of the issued share capital of the Company, and Yuantong Jiaolong, YTO Express and Yuan Jun directly/indirectly hold more than 50% of the issued share capital of YTO Global Holdings Limited. In this connection, Yuantong Jiaolong, YTO Express, 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 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of shareholder	Capacity/nature of interest	Number of shares involved	Percentage* of the Company's issued share capital
Lam Investco *(Note 1)*	Beneficial owner	40,224,000	9.71%
Ms. Li Wai Fun *(Note 1)*	Interest of spouse	40,224,000	9.71%
YTO Global Holdings Limited *(Note 2)*	Beneficial owner	268,229,408	64.75%
YTO Express *(Note 2)*	Interest of controlled corporations	268,229,408	64.75%
Yuantong Jiaolong *(Note 2)*	Interest of controlled corporations	268,229,408	64.75%
Ms. Zhang Xiaojuan *(Note 2)*	Interest of controlled corporations	268,229,408	64.75%
CAM SPC - Alpha SP	Investment manager	37,698,000 *(Note 3)*	9.10%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Notes:

1. Lam Investco is wholly owned by Mr. Lam Chun Chin, Spencer and Mr. Lam Chun Chin, Spencer is the sole director of Lam Investco. By virtue of the SFO, Mr. Lam Chun Chin, Spencer is deemed to be interested in the shares of the Company held by Lam Investco as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above. Ms. Li Wai Fun is the spouse of Mr. Lam Chun Chin, Spencer. Under the SFO, Ms. Li Wai Fun is taken to be interested in the same number of shares of the Company in which Mr. Lam Chun Chin, Spencer is interested.

2. These interests are also disclosed as the interest of Mr. Yu Huijiao in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation".

3. Based on the disclosure of interests form submitted by this substantial shareholder as at 30 June 2018.

* The percentage represents the number of shares of the Company involved divided by the number of the Company's issued shares as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") pursuant to Chapter 17 of the Listing Rules on 21 June 2014. The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Group. During the Reporting Period, no share options have been outstanding, granted, exercised, lapsed or cancelled by the Company under the Scheme.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. 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.

UPDATE ON DIRECTORS' INFORMATION

Set out below are the changes in the Directors' information, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

(1) Mr. Li Xianjun has been appointed as the vice president of YTO Express, a controlling shareholder of the Company, with effect from 6 June 2018.

(2) Mr. Su Xiufeng has been appointed as the director and the vice chairman of Yuantong Jiaolong, a controlling shareholder of the Company, with effect from 7 August 2018.

(3) Mr. Li Donghui has resigned as a director of 浙江錢江摩托股份有限公司 (Zhejiang Qianjiang Motorcycle Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange with stock code: 000913) with effect from 16 April 2018.

* *For identification purposes only*

AUDIT COMMITTEE

The Company has established an audit committee which comprises one non-executive Director, namely, Mr. Lin Kai, and two independent non-executive Directors, namely, Mr. Chung Kwok Mo John and Mr. Li Donghui. Mr. Chung Kwok Mo John is the chairman of the audit committee. The audit committee of the Company has reviewed and discussed with the management of the Group on the unaudited consolidated financial statements of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed financial related matters.

APPRECIATION

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

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

Hong Kong, 17 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 18 to 52, which comprise the condensed consolidated statement of financial position of YTO Express (International) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2018 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		(Unaudited)	
		Six months ended 30 June	
		2018	**2017**
	NOTES	*HK$'000*	*HK$'000*
Revenue	*3*	1,948,454	1,560,775
Cost of sales		(1,675,508)	(1,308,577)
Gross profit		272,946	252,198
Other income		8,990	4,481
Administrative expenses		(239,066)	(225,882)
Net reversal of impairment loss (impairment loss, net of reversal)		3,976	(2,440)
Other gains or losses		2,672	2,982
Share of profit of associates		1,236	111
Share of profit of joint ventures		180	373
Finance costs		(3,415)	(2,267)
Profit before taxation		47,519	29,556
Income tax expenses	*4*	(8,312)	(8,864)
Profit for the period	*5*	39,207	20,692
Profit for the period attributable to:			
Owners of the Company		38,024	19,609
Non-controlling interests		1,183	1,083
		39,207	20,692
		HK cents	*HK cents*
Earnings per share	*6*		
Basic		9.18	4.74
Diluted		N/A	4.73

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	(Unaudited) Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Profit for the period	39,207	20,692
Other comprehensive income (expense), net of income tax		
Items that will not be reclassified to profit or loss:		
Revaluation increase on leasehold land and buildings	102	783
Deferred tax arising on revaluation of leasehold land and buildings	(28)	(147)
Items that may be subsequently reclassified to profit or loss:		
Share of other comprehensive (expense) income of associates	(205)	14
Share of other comprehensive (expense) income of joint ventures	(172)	434
Exchange difference arising from foreign operations	(10,819)	4,162
Other comprehensive (expense) income for the period	(11,122)	5,246
Total comprehensive income for the period	28,085	25,938
Total comprehensive income for the period attributable to:		
Owners of the Company	26,222	22,597
Non-controlling interests	1,863	3,341
	28,085	25,938

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
Non-current assets			
Investment properties	8	6,994	7,531
Property, plant and equipment	9	45,178	49,203
Goodwill		35,937	36,453
Intangible assets		19,119	22,172
Interests in associates		16,288	15,257
Interests in joint ventures		6,261	6,254
Available-for-sale investment		–	–
Equity instrument at fair value through other comprehensive income		–	–
Deferred tax assets		89	90
		129,866	136,960
Current assets			
Trade receivables	10	684,672	684,132
Other receivables, deposits and prepayments		122,022	138,252
Held for trading investment		–	1,017
Financial asset at fair value through profit or loss		964	–
Loan receivable		7,479	–
Amount due from an intermediate holding company		20	–
Amount due from immediate holding company		1,245	1,245
Amounts due from joint ventures	16	6,883	5,674
Amounts due from associates	16	13,896	11,584
Amounts due from fellow subsidiaries	16	912	–
Loan to an associate		500	500
Prepaid tax		2,462	1,310
Pledged bank deposits		6,672	8,472
Bank balances and cash		240,170	248,201
		1,087,897	1,100,387

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2018

	NOTES	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
Current liabilities			
Trade and other payables	11	436,216	473,900
Contract liability		34,456	–
Dividend payable		9,530	–
Amounts due to associates	16	2,872	1,723
Amount due to a fellow subsidiary		1	–
Tax liabilities		8,036	10,090
Obligations under finance leases			
– due within one year	12	330	357
Bank borrowings	13	182,805	179,770
		674,246	665,840
Net current assets		413,651	434,547
Total assets less current liabilities		543,517	571,507
Non-current liabilities			
Trade and other payables			
– due after one year	11	5,067	3,153
Obligations under finance leases			
– due after one year	12	127	291
Deferred tax liabilities		11,275	14,324
		16,469	17,768
		527,048	553,739
Capital and reserves			
Share capital	14	41,427	41,427
Reserves		479,819	485,571
Net assets attributable to owners of the Company		521,246	526,998
Non-controlling interests		5,802	26,741
Total equity		527,048	553,739

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company												
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000* *(Note a)*	**Special reserve** *HK$'000* *(Note b)*	**Share options reserve** *HK$'000*	**Other reserve** *HK$'000* *(Note c)*	**Translation reserve** *HK$'000*	**Statutory reserve** *HK$'000* *(Note d)*	**Property revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2017 (audited)	41,280	418,048	(843)	(295,411)	1,090	(705)	(28,459)	9,540	10,359	280,040	434,939	27,701	462,640
Profit for the period	–	–	–	–	–	–	–	–	–	19,609	19,609	1,083	20,692
Revaluation increase on leasehold land and buildings	–	–	–	–	–	–	–	–	783	–	783	–	783
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	–	(147)	–	(147)	–	(147)
Share of other comprehensive income of associates	–	–	–	–	–	–	14	–	–	–	14	–	14
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	434	–	–	–	434	–	434
Exchange differences arising from overseas operations	–	–	–	–	–	–	1,904	–	–	–	1,904	2,258	4,162
Total comprehensive income for the period	–	–	–	–	–	–	2,352	–	636	19,609	22,597	3,341	25,938
Issue of shares upon exercise of share options	147	2,868	–	–	(596)	–	–	–	–	–	2,419	–	2,419
Recognition of equity-settled share-based payment	–	–	–	–	40	–	–	–	–	–	40	–	40
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1,558)	(1,558)
Transfer to statutory reserve	–	–	–	–	–	–	–	708	–	(708)	–	–	–
At 30 June 2017 (unaudited)	41,427	420,916	(843)	(295,411)	534	(705)	(26,107)	10,248	10,995	298,941	459,995	29,484	489,479

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note a)*	Special reserve *HK$'000* *(Note b)*	Other reserve *HK$'000* *(Note c)*	Translation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note d)*	Property revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2018 (audited)	41,427	420,916	(771)	(295,411)	(705)	(21,119)	13,024	11,368	358,269	526,998	26,741	553,739
HKFRS 9 adjustment	–	–	–	–	–	–	–	–	(536)	(536)	–	(536)
	41,427	420,916	(771)	(295,411)	(705)	(21,119)	13,024	11,368	357,733	526,462	26,741	553,203
Profit for the period	–	–	–	–	–	–	–	–	38,024	38,024	1,183	39,207
Revaluation increase on leasehold land and buildings	–	–	–	–	–	–	–	102	–	102	–	102
Deferred tax arising on revaluation of leasehold land and buildings	–	–	–	–	–	–	–	(28)	–	(28)	–	(28)
Share of other comprehensive expense of associates	–	–	–	–	–	(205)	–	–	–	(205)	–	(205)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	(172)	–	–	–	(172)	–	(172)
Exchange differences arising from overseas operations	–	–	–	–	–	(11,499)	–	–	–	(11,499)	680	(10,819)
Total comprehensive (expense) income for the period	–	–	–	–	–	(11,876)	–	74	38,024	26,222	1,863	28,085
Acquisition of shares of a subsidiary from non-controlling interests	–	–	(21,910)	–	–	–	–	–	–	(21,910)	(16,090)	(38,000)
Dividend declared to shareholders *(note 7)*	–	–	–	–	–	–	–	–	(9,528)	(9,528)	–	(9,528)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(6,712)	(6,712)
Transfer to statutory reserve	–	–	–	–	–	–	(33)	–	33	–	–	–
At 30 June 2018 (unaudited)	41,427	420,916	(22,681)	(295,411)	(705)	(32,995)	12,991	11,442	386,262	521,246	5,802	527,048

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Notes:

(a) On 16 April 2018, the Group acquired additional 25% equity interest in OTX Logistics B.V. ("OTX Logistics Holland") at a consideration amounting to HK$38,000,000 from its non-controlling shareholder resulting in HK$21,910,000 debit balance recognised in capital reserve. OTX Logistics Holland became an indirect wholly owned subsidiary of the Group upon completion of the acquisition.

(b) Special reserve comprises (i) the difference between the nominal amount of 500,000 shares of the Company amounting to HK$50,000 as consideration in exchange for the paid up capital of On Time Worldwide Logistics Limited ("OT BVI") amounting to HK$389,000 after elimination of share premium amounting to HK$241,000 as part of the Corporate Reorganisation in year ended 31 December 2013 and (ii) the difference between the aggregate net assets value of Citynet Logistics Worldwide Limited ("Citynet"), On Time Worldwide Logistics Limited ("OT WW HK"), On Time Shipping Line Limited ("OT SL HK"), On Union Management Limited ("On Union HK") and On Time Express Limited ("OT HK") amounting to HK$316,029,000 and the aggregate share capital of Citynet, OT WW HK, OT SL HK, On Union HK and OT HK amounting to HK$20,520,000 as at 31 March 2014 on which the Company acquired the entire equity interest in Citynet, OT WW HK, OT SL HK, On Union HK and OT HK by issue of 400,000 shares at HK$0.1 each upon Corporate Reorganisation.

(c) The non-controlling interests at 1 January 2013 included the fair value of options classified as equity instruments amounting to HK$705,000, which were related to the options granted to a group entity and a prior non-controlling shareholder of OTX Logistics Holland on disposal of 25% equity interest in OTX Logistics Holland in 2011. As the condition precedent the exercise of these options was not materialised upon the listing of the Company on 11 July 2014, the amount was reclassified to other reserve.

(d) Statutory reserve represents general and development fund reserve required in accordance with the laws and regulations in the relevant jurisdictions.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	(Unaudited) Six months ended 30 June 2018 HK$'000	2017 HK$'000
NET CASH FROM OPERATING ACTIVITIES	57,141	79,194
INVESTING ACTIVITIES		
Interest received	334	227
Net cash flow from acquisition of a subsidiary	–	2,902
Development cost on intangible asset	(42)	(353)
Purchase of property, plant and equipment	(3,975)	(2,899)
Proceeds on disposal of property, plant and equipment	1,237	8
Repayment from joint ventures	–	2,923
Advance to joint ventures	(249)	–
Repayment from associates	–	5,554
Advance to associates	(446)	–
Advance to related parties	–	(133)
Placement of pledged bank deposits	(5,889)	(1,611)
Withdrawal of pledged bank deposits	7,666	1,438
Payment for contingent consideration	(3,000)	–
Investment in loan receivable	(7,429)	–
Acquisition of interest in a joint venture	–	(66)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(11,793)	7,990
FINANCING ACTIVITIES		
Interest paid	(3,415)	(2,267)
Advance from associates	292	–
(Decrease) increase in bank overdrafts	(129)	431
Increase (decrease) in factoring loans	12,284	(16,893)
New bank loans raised	240,052	163,603
Repayment of bank loans	(249,146)	(168,285)
Dividend paid to non-controlling interests of the subsidiaries	(6,712)	(1,558)
Repayment of obligation under finance leases	(189)	(288)
Payment for acquisition of additional interests in a subsidiary	(38,000)	–
Proceeds from issue of ordinary shares	–	2,419
NET CASH USED IN FINANCING ACTIVITIES	(44,963)	(22,838)
NET INCREASE IN CASH AND CASH EQUIVALENTS	385	64,346
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	248,201	211,207
Effect of foreign exchange rate changes	(8,416)	10,849
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	240,170	286,402
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	240,170	286,402

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2.1 Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from contracts with customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The major business stream of the Group:

Freight services: revenue from freight services is recognised over time upon the performance obligation is satisfied.

Logistic services: revenue from logistic services is recognised over time for warehousing services.

Other services: revenue from other services is related to land and trucking services which are recognised over time.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from contracts with customers" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue of the Group is recognised over time by method which reflect the progress towards complete satisfaction of a performance obligation.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from contracts with customers" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Principal versus agent (Continued)

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group considered itself as the principal in the contracts with customers as it controls the service before the service is transferred to a customer.

2.2.2 Summary of effects arising from initial application of HKFRS 15

No adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from contracts with customers" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As Reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Trade and other payables *(Note)*	436,216	34,456	470,672
Contract liabilities *(Note)*	34,456	(34,456)	–

Note: Under HKAS 18, deposits received in advance from customers on providing logistics services of HK$34,456,000 would have been included in trade and other payables.

Except as described above, the application of HKFRS 15 has had no material impact on the timing and amounts of revenue recognised during the six months ended 30 June 2018 and on retained earnings and other components of equity as at 1 January 2018 in the condensed consolidated financial statements.

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.3.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Management of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in the table of the classification and measurement (including impairment) of financial assets and financial liabilities and other items in Note 2.3.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, loan receivable, amounts due from an intermediate holding company, immediate holding company, joint ventures, associates and fellow subsidiaries, loan to an associate, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.3.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, Management of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.3.2.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.3.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investment HK$'000	Held for trading investments HK$'000	Equity investment at FVTPL HK$'000	Financial asset at FVTPL HK$'000	Trade receivables HK$'000	Retained profits HK$'000
Closing balance at 31 December 2017 – HKAS 39		–	1,017	–	–	684,132	358,269
Effect arising from initial application of HKFRS 9:							
Reclassification							
From held for trading investment		–	(1,017)	–	1,017	–	–
From available-for-sales investment	*(a)*	–	–	–	–	–	–
Remeasurement							
Impairment under ECL model	*(b)*	–	–	–	–	(536)	(536)
Opening balance at 1 January 2018		–	–	–	1,017	683,596	357,733

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

2.3.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Note: *(a)* *Available-for-sale investment*

The Group has elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. The Group's available-for-sale investment is unquoted equity investment that measured at cost less impairment under HKAS 39.

At the date of initial application of HKFRS 9, the Group's available-for-sale investment which had been fully impaired in previous years were reclassified to equity instruments at FVTOCI and measured at fair value. There was no gain arising from the fair value measurement.

(b) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, loan receivable, amounts due from related parties, pledged bank deposits and bank balances, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$536,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset. As at 31 December 2017, the loss allowance for loans and receivables amounted to HK$10,242,000 under HKAS 39. With the aforesaid additional credit loss allowance of HK$536,000, the loss allowance for trade receivables as at 1 January 2018 amounted to HK$10,778,000 under HKFRS 9.

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to the segments and to assess their performance.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on four main operations:

- Air freight: this segment is related to freight forwarding by air.
- Ocean freight: this segment is related to freight forwarding by seas.
- Logistics: this segment is related to provide warehousing services.
- Others: this segment is related to freight forwarding by land and trucking services.

a. Segment revenue and results

	(Unaudited) Segment revenue Six months ended 30 June		(Unaudited) Segment results Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating and reportable segments				
Air freight *(Note a)*	1,458,779	1,061,681	107,385	85,003
Ocean freight *(Note a)*	393,024	411,451	62,033	68,275
Logistics *(Note b)*	42,157	44,901	3,228	(471)
Others *(Note c)*	54,494	42,742	13,038	17,026
Total	1,948,454	1,560,775	185,684	169,833
Other income			8,990	4,481
Other gains or losses			2,672	2,982
Unallocated corporate expenses			(147,828)	(145,957)
Share of profit of associates			1,236	111
Share of profit of joint ventures			180	373
Finance costs			(3,415)	(2,267)
Profit before taxation			47,519	29,556

Notes:

(a) Revenue from freight services is recognised over time upon the performance obligation is satisfied.

(b) Revenue from warehousing services is recognised over time for warehousing services.

(c) Revenue from other services is related to land and trucking services which are recognised over time.

3. SEGMENT INFORMATION (CONTINUED)

a. Segment revenue and results (continued)

Reportable segment results represents the profit earned by each segment without allocation of other income, other gains or losses, share of profit of associates, share of profit of joint ventures, unallocated corporate expenses (including depreciation and amortisation) and finance costs.

b. Segment assets and liabilities

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

c. Geographic information

The turnover from external customers by geographical market based on the location of operations:

	(Unaudited) Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Hong Kong	825,725	647,469
The People's Republic of China ("PRC")	497,241	304,553
Other Asia regions	197,032	219,960
The Netherlands	233,525	188,676
United States of America	152,306	193,363
Others	42,625	6,754
	1,948,454	1,560,775

4. INCOME TAX EXPENSES

	(Unaudited) Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	1,902	2,555
– Enterprise Income Tax in the PRC	2,019	2,308
– Dutch Corporate Income Tax	1,399	1,382
– Vietnam Corporate Income Tax	743	542
– Malaysia Corporate Income Tax	650	134
– Canadian Corporate Income Tax	493	376
– Other jurisdictions	1,005	672
	8,211	7,969
(Over) under provision in respect of prior years		
– Hong Kong Profits Tax	(20)	–
– Enterprise Income Tax in the PRC	–	147
– Other jurisdictions	82	(68)
	62	79
Withholding tax on dividend declared	3,030	488
Deferred taxation	(2,991)	328
	8,312	8,864

4. INCOME TAX EXPENSES (CONTINUED)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiary of the Company is taxed at 25% during the period.

Dutch Corporate Income Tax rates are chargeable at progressive tax rates. The corporate income tax charge has been calculated at the tax rate between 20.0% to 25.0% during the period.

The Corporate Income Tax in Vietnam is calculated at 20% of the estimated assessable profit. Additionally, being a small and medium enterprise, the Vietnamese subsidiary is entitled to a 30% reduction in Corporate Income Tax during the period, in accordance with the Vietnamese laws.

Malaysia Corporate Income Tax is calculated at 25% of the estimated assessable profit.

Income tax expense in Canada comprises Federal Corporate Income Tax and Provincial Corporate Income tax at 15% and 11.5% respectively.

Pursuant to the rules and regulations of the British Virgin Islands (the "BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. PROFIT FOR THE PERIOD

	(Unaudited) Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	5,996	5,658
Amortisation of intangible assets	2.759	1,541
(Net reversal of impairment loss) impairment loss, net of reversal	(3,976)	2,440
Net exchange gain	(4,026)	(3,034)

6. EARNINGS PER SHARE

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

	(Unaudited) Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	38,024	19,609

	(Unaudited) Six months ended 30 June	
	2018	**2017**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	414,270	413,403
Effect of dilutive potential ordinary shares on share options	N/A	1,095
Weighted average number of ordinary shares for the purpose of diluted earnings per share	414,270	414,498

There is no diluted earnings per share for the reporting period as there is no potential ordinary shares in issue for the reporting period.

7. DIVIDEND

	(Unaudited) Six months ended 30 June	
	2018	**2017**
	HK$'000	*HK$'000*
Final dividend payable in respect of the year ended 31 December 2017 of HK2.3 cents (31 December 2016: nil) per share	9,528	–

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

8. INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at the end of the current interim period has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The directors of RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the investment properties were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available, adjusted for differences in the nature, location and conditions of the subject properties. The resulting decrease of HK$474,000 has been recognised directly in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

The fair values of the Group's investment properties as at 30 June 2018 and 30 June 2017 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, and there were no transfers into or out of Level 3 during the six months ended 30 June 2018 and 30 June 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment for a consideration of HK$3,975,000 (six months ended 30 June 2017: HK$2,899,000).

During the six months ended 30 June 2018, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$1,735,000 (six months ended 30 June 2017: HK$83,000) for cash proceeds of HK$1,237,000 (six months ended 30 June 2017: HK$8,000), resulting in a loss on disposal of HK$498,000 (six months ended 30 June 2017: HK$75,000).

The Group's leasehold land and buildings classified as property, plant and equipment were valued by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. The fair value of the leasehold land and buildings were determined by using the direct comparison approach with reference to the recent transaction prices for similar properties as available. The resulting revaluation surplus of HK$102,000 has been credited to the property revaluation reserve during the six months ended 30 June 2018 (six months ended 30 June 2017: credited to the property revaluation reserve at HK$783,000).

The fair values of the Group's leasehold land and buildings as at 30 June 2018 and 30 June 2017 are categorised into Level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, and there were no transfers into or out of Level 3 during the six months ended 30 June 2018 and 30 June 2017.

10. TRADE RECEIVABLES

	(Unaudited) 30 June 2018 *HK$'000*	(Audited) 31 December 2017 *HK$'000*
Trade receivables	691,102	694,374
Less: allowance for impairment	(6,430)	(10,242)
	684,672	684,132

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

The following is an aged analysis of trade receivables, net of allowance for bad and doubtful debts, based on invoice date, which are approximately the respective revenue recognition dates, at the end of each of reporting period:

	(Unaudited) 30 June 2018 *HK$'000*	(Audited) 31 December 2017 *HK$'000*
0 – 30 days	323,138	381,884
31 – 60 days	170,010	196,239
61 – 90 days	109,594	87,617
91 – 180 days	71,983	15,081
Over 180 days	9,947	3,311
	684,672	684,132

The Group considered default was not occurred when the account receivables is more than 90 days past due for several customers with good credit history and long business relationship.

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date at the end of reporting period:

	(Unaudited) 30 June 2018 *HK$'000*	(Audited) 31 December 2017 *HK$'000*
Within 60 days	295,505	337,776
61 – 180 days	32,861	16,573
181 – 365 days	3,314	2,172
1 – 2 years	4,205	3,904
	335,885	360,425
Trade and other payables analysed as:		
– Current	436,216	473,900
– Non-current	5,067	3,153
	441,283	477,053

12. OBLIGATIONS UNDER FINANCE LEASES

During the six months ended 30 June 2018, the Group repaid obligations under finance leases amounting to HK$189,000 (six months ended 30 June 2017: HK$288,000). The obligations under finance leases carry interest at fixed market rates of ranging from 2.15% to 5.48% and are repayable in instalments over a period of 3 years.

13. BANK BORROWINGS

During the six months ended 30 June 2018, the Group obtained new bank borrowings amounting to HK$240,052,000 (six months ended 30 June 2017: HK$163,603,000) and repaid bank borrowings amounting to HK$249,146,000 (six months ended 30 June 2017: HK$168,285,000). The loans carry interest at variable market rates ranging from 3.68% to 10.05% and with a repayment on demand clause. The proceeds were used to finance the general working capital of the Group.

14. SHARE CAPITAL

	Number of ordinary shares	Share capital
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2017	412,804,000	41,280
Exercise of share options	1,466,000	147
At 30 June 2017, 1 January 2018 and 30 June 2018	414,270,000	41,427

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	(Unaudited) Fair value as at 30 June 2018 *HK$'000*	(Audited) Fair value as at 31 December 2017 *HK$'000*	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input
Financial asset					
Listed equity investment classified as held for trading investments	N/A	1,017	Level 1	Quoted bid price in an active market	N/A
Listed equity investment classified as fair value through profit or loss	964	N/A	Level 1	Quoted bid price in an active market	N/A
Unquoted equity investment classified as FVTOCI	–	N/A	Level 3	Discounted cash flow	Budgeted cash flow of the investee, discount rate reflecting the market return of similiar asset and adjusted by non-performance risk associated to the investment
Financial liability					
Contingent consideration in a business combination	4,146	6,632	Level 3	Discounted cash flow	Discount rate of 4.44 percent (2017: 4.44 percent). Probability-adjusted revenues and profits, with a range from HK$61,584,000 to HK$86,006,000 and a range from HK$1,532,000 to HK$3,960,000 in 2018 respectively, a range from HK$79,443,000 to HK$92,886,000 and a range from HK$2,228,000 to HK$5,360,000 in 2019 respectively (Note)

Note: A slight increase in the probability adjusted revenue in isolation would result in a significant increase in the fair value and vice versa. A slight increase in discount rate in isolation would result in a significant decrease in the fair value and vice versa.

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of level 3 fair value measurements of financial asset and financial liability

	Unquoted equity investment classified as FVTOCI *HK$'000*	**Contingent consideration in a business combination** *HK$'000*
At 1 January 2018	–	6,632
Total loss recognised in profit or loss	–	514
Settlements	–	(3,000)
At 30 June 2018	–	4,146

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of level 3 fair value measurements of financial asset and financial liability (Continued)

The total loss recognised in profit or loss represented an unrealised loss of HK$514,000 relating to financial liability that is measured at fair value at the end of each reporting period (six months ended 30 June 2017: nil). Such fair value gains or losses are included in other gains and losses.

There is no transfer between different fair value hierarchy during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

16. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 June 2018, the Group had significant transactions with related parties as follows:

		(Unaudited)	
		Six months ended 30 June	
		2018	**2017**
		HK$'000	*HK$'000*
(i)	**Associates**		
	– Freight income received	1,589	2,858
	– Freight charge paid	27,232	19,047
	– Management fee income	1,240	984
	– Loan interest income	13	13
(ii)	**Joint ventures**		
	– Freight income received	14,803	19,309
	– Freight charge paid	1,411	1,434
(iii)	**Related companies with common directors**		
	First Choice International Limited		
	– Rental expenses	–	380
	On Good Development Limited		
	– Rental expenses	870	917
(iv)	**Fellow subsidiaries**		
	– Freight income received	1,997	–
	– Freight charge paid	210	–

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

At the end of the reporting period, the Group had balances with related parties as follows:

		NOTES	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
(i)	**Associates**			
	– Trade receivables	*a*	2,254	2,968
	– Other receivables	*c*	11,642	11,196
	– Trade payables	*b*	2,580	4,303
	– Other payables	*c*	292	–
(ii)	**Joint ventures**			
	– Trade receivables	*d*	6,356	5,396
	– Other receivables	*c*	527	278
(iii)	**Fellow subsidiaries**			
	– Trade receivables	*e*	912	–

Notes:

(a) The followings are the aging information of trade balances due from associates, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
0 – 30 days	102	607
31 – 60 days	77	392
61 – 90 days	3	176
91 – 180 days	–	272
Over 180 days	2,072	1,521
	2,254	2,968

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Notes: (Continued)

(b) The followings are the aging information of trade balances due to associates, based on the invoice date, at the end of the reporting period:

	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
0 – 30 days	2,232	4,041
31 – 60 days	195	91
61 – 90 days	8	77
91 – 180 days	145	61
Over 180 days	–	33
	2,580	4,303

(c) The amounts are non-interest bearing, unsecured and repayable on demand.

(d) The following is an aged analysis of trade balances due from joint ventures, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
0 – 30 days	2,739	3,373
31 – 60 days	1,117	1,097
61 – 90 days	765	771
91 – 180 days	1,655	135
Over 180 days	80	20
	6,356	5,396

(e) The following is an aged analysis of trade balances due from fellow subsidiaries, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
0 – 30 days	912	–
	912	–

17. PLEDGED ASSETS

The following assets were pledged to secure certain banking facilities representing guarantees on payment to certain airline suppliers of the Group for the Group's cargo space purchase and bank borrowings granted to the Group at the end of the reporting period:

	(Unaudited) 30 June 2018 *HK$'000*	(Audited) 31 December 2017 *HK$'000*
Trade receivables	136,068	120,713
Held for trading investment	–	1,017
Financial asset at fair value through profit or loss	964	–
Loan receivable	7,479	–
Pledged bank deposits	6,672	8,472
	151,183	130,202

18. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 21 June 2014 for the primary purpose of providing incentives to directors and eligible employees ("participants"), and will expire on 20 June 2024. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

As at 30 June 2018 and 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil, representing none of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on its listing date on 11 July 2014, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.