



圓通國際

YTO Express (International) Holdings Limited

圓通速遞（國際）控股有限公司

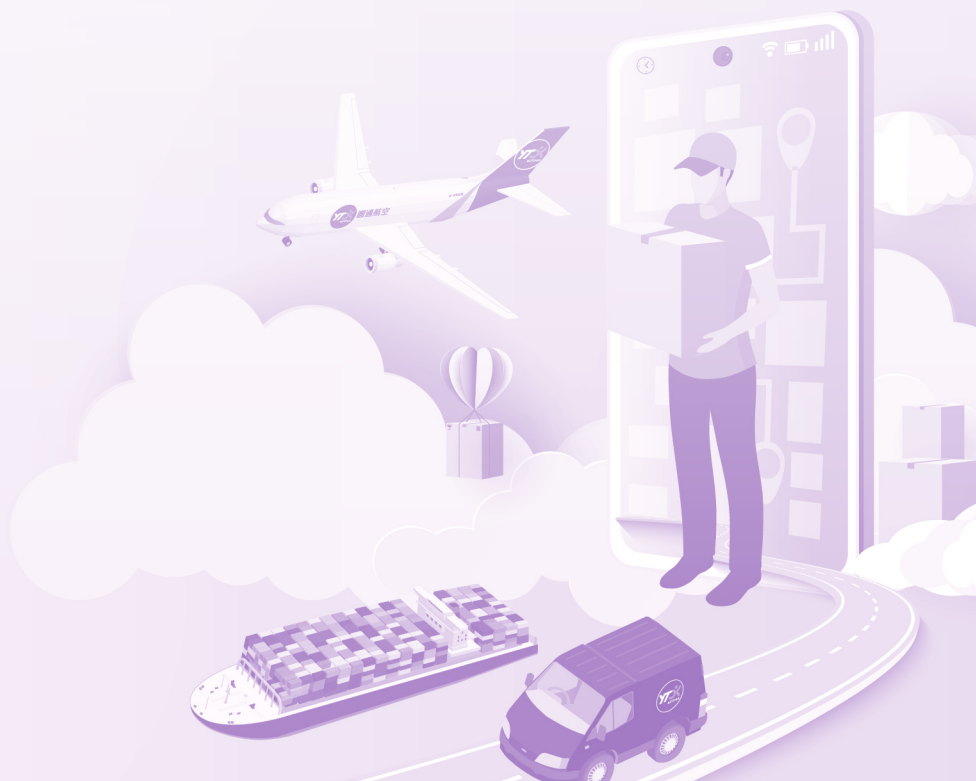
Incorporated in the Cayman Islands with limited liability
Stock Code: 6123



2020
INTERIM REPORT

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	21
Report on Review of Interim Financial Report	29
Consolidated Statement of Profit or Loss	31
Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Changes in Equity	35
Condensed Consolidated Cash Flow Statement	38
Notes to the Unaudited Interim Financial Report	40





CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lam Chun Chin, Spencer
*(Resigned as Chief Executive Officer
on 26 August 2020)*
Mr. Huang Yifeng

NON-EXECUTIVE DIRECTORS

Mr. Yu Huijiao (*Chairman*)
Mr. Pan Shuimiao
Mr. Li Xianjun
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. Huang Yifeng
Mr. Li Donghui
Mr. Xu Junmin
Mr. Chung Kwok Mo John

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3610, 36th Floor,
Office Tower, Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Hong Kong

COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

AUDITOR

KPMG
*(Public Interest Entity Auditor registered in
accordance with the Financial Reporting
Council Ordinance)*

COMPANY'S WEBSITE

www.ytglobal.com

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 2020 (the “Reporting Period”). The relevant financial figures for the six months ended 30 June 2019 (the “1H2019”) or other dates/periods are also set out in this report for comparative purposes.

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

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

The Uncertain Recovery of Consuming Market

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

The Uncertain Recovery of International Airlines

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL RESULTS

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

SEGMENTAL ANALYSIS

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

Air Freight

The air freight forwarding business continued to constitute the largest business segment of the Group, representing about 64.1% of the Group's total revenue during the Reporting Period (1H2019: about 58.6%). It principally involves in arranging shipment upon receipt of booking instructions from customers, obtaining cargo space from airlines, preparing for the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well recognised in the logistics industry, having received numerous accolades from international organisations and major airlines since 2000, including "Top Agent Award" from Cathay Pacific Cargo each year since 2006. Consequently, the Group has become the preferred business partner of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$1,410.3 million (1H2019: about HK\$1,054.5 million), representing an increase of about 33.7% as compared to the corresponding period of 2019. Gross profit of the segment also increased from about HK\$118.0 million in the corresponding period of 2019 to about HK\$209.8 million during the Reporting Period, representing a period-on-period increase of about 77.8%. The increase in revenue and gross profits of air freight business is due to the increase of delivery of health care and medical supplies by air freight channel.

Ocean Freight

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

Ancillary and Contract Logistics Services

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

International Express and Parcel Services

International express and parcel services which mainly consist of cross-border small parcels of delivery business is the Group's fast growing business to capture the development opportunities arising from the global cross-border e-commerce business. It represents about 14.5% of the total revenue of the Group during the Reporting Period (1H2019: about 15.2%). The Group considers the e-commerce platform as the new channel and leverages on the strong synergy and integration capability of domestic and foreign logistic resources, so as to increase our market penetration and proactively establish the full-chain services, which ultimately provides baskets of cross-border package delivery solutions. YTO Express possesses a strong express logistic service network covering the PRC, which provides firm supports for the Group's development of end-to-end full-chain services. As at 30 June 2020, the Group has established cross-border full-chain services and has entered into strategic cooperation with 18 postal companies or express companies in 17 countries. Through the focus on developing and nurturing the delivery of product from the Chinese mainland to the Taiwan region, the Group has received positive comments from customers and market recognition.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENTAL ANALYSIS (CONTINUED)

International Express and Parcel Services (Continued)

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

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

Others

The other businesses include combined shipments, trucking, general sales agency, e-commerce business and hand-carry services, the latter of which involves time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other businesses recorded revenue of about HK\$102.2 million (1H2019: about HK\$56.6 million) and gross profit of about HK\$22.3 million (1H2019: about HK\$14.1 million). The gross profit margin of other businesses decreased from 25.0% in 1H2019 to 21.8% during the Reporting Period.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

The Group has centralized financing policies and control over all its operations which enables the Group to have a tight control of treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2020 was about HK\$576.5 million, representing an increase of about 21.9% from about HK\$473.0 million as at 31 December 2019. The current ratio of the Group slightly increased from about 1.90 times as at 31 December 2019 to about 1.97 times as at 30 June 2020.

As at 30 June 2020, the Group's bank balances and cash amounted to about HK\$374.2 million, representing an increase of about 39.1% from about HK\$269.0 million as at 31 December 2019. For the Reporting Period, the Group had operating cash inflow of about HK\$127.9 million (1H2019: operating cash inflow of about HK\$198.7 million). As at 30 June 2020, the Group's outstanding bank borrowings amounted to about HK\$38.8 million (as at 31 December 2019: about HK\$30.6 million). The gearing ratio of the Group was about 5.7% as at 30 June 2020 (as at 31 December 2019: about 5.1%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2020 and as at 31 December 2019, the Group maintained a net cash position.

FOREIGN EXCHANGE RISK

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, CAD, JPY, VND, IDR, KRW, AED and TWD among which, RMB, EUR, USD and TWD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately subject to the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period and in the corresponding period of 2019. The Group continued to exercise a strict control policy and did not engage in any speculative trading in debt securities or financial derivatives during the Reporting Period.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2020, the Group did not hold any material investments.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2020, the Group has capital expenditure commitments of HK\$2,500,000 (as at 31 December 2019: HK\$2,500,000). Such capital expenditure commitments were in relation to the contingent consideration of 翼尊國際貨運代理（上海）有限公司 (Best Loader Logistics (Shanghai) Company Limited*) (“Best Loader Shanghai”) and Best Loader Logistics Company Limited (“Best Loader HK”). Please refer to the section “Performance Guarantees” below for further details.

CONTINGENT LIABILITIES

As at 30 June 2020, save as disclosed in the above capital expenditure commitments, the Group did not have any other significant contingent liabilities.

PERFORMANCE GUARANTEES

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

The 2017 NAV Guarantee and the 2018 NAV Guarantee had been fulfilled. Given the fulfillment of the 2017 NAV Guarantee and the 2018 NAV Guarantee, On Time BVI had paid to the First Vendor in aggregate of HK\$550,000 in cash for the payment of part of the consideration for the First Sale and Purchase Agreement. On 4 August 2020, On Time BVI and, among other, the Guarantor entered into a supplemental agreement to the First Sale and Purchase Agreement (the “Supplemental Agreement”) in relation to the payment of the final part of the consideration for the First Sale and Purchase Agreement of HK\$250,000 (the “Final Instalment”) and the settlement of certain outstanding accounts receivables of Best Loader HK which amounted to approximately HK\$2.0 million (the “Outstanding Accounts Receivables”). Under the Supplemental Agreement, it was agreed that the payment date of the Final Instalment shall be extended to 4 August 2021 (the “Deadline”) and such payment is conditional upon Best Loader HK having received the Outstanding Accounts Receivables of aggregate amounts exceeding HK\$300,000 as of the Deadline.

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

PERFORMANCE GUARANTEES (CONTINUED)

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

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

After the determination of the 2017 SH Accounts, the 2018 SH Accounts and the 2019 SH Accounts, respectively, On Line HK shall pay to the First Vendor the remaining balance of the purchase price in the following manner: (i) HK\$2.7 million to the First Vendor if the 2017 SH NAV Guarantee is fulfilled; (ii) HK\$2.25 million to the First Vendor if the 2018 SH NAV Guarantee is fulfilled; and (iii) HK\$2.25 million to the First Vendor if the 2019 SH NAV Guarantee is fulfilled.

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PERFORMANCE GUARANTEES (CONTINUED)

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

Jumbo Channel Limited (“Jumbo Channel”), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement on 9 March 2018 (the “Third Sale and Purchase Agreement”) with, among others, T.Y.D. Holding B.V. (the “Second Vendor”), in relation to the acquisition of the remaining 25% equity interest in the issued share capital of OTX Logistics B.V. (“OTX Logistics Holland”). Pursuant to the Third Sale and Purchase Agreement, the Second Vendor undertakes to Jumbo Channel that: (i) in the event that the sum of the audited consolidated net profits after tax of OTX Logistics Holland as stated in the audited accounts of the Company for each of the financial years ended 31 December 2017, 2018 and 2019, respectively, adjusted by any revaluation surplus or deficit of tangible or intangible assets (the “Accumulated Consolidated Net Profit”), shall be less than HK\$18.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK\$3,330,000 after completion of the audited accounts of OTX Logistics Holland for the financial year ended 31 December 2019 (the “2019 Holland Accounts”); (ii) in the event that the Accumulated Consolidated Net Profit shall be less than HK\$12.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK\$6,660,000 after completion of the 2019 Holland Accounts; and (iii) in the event that the Accumulated Consolidated Net Profit shall be less than HK\$6.0 million, the Second Vendor shall in aggregate compensate Jumbo Channel HK\$10.0 million after completion of the 2019 Holland Accounts. Based on the 2019 Holland Accounts, the Accumulated Consolidated Net Profit was not less than HK\$18.0 and the profit guarantee has been fulfilled. As such the Second Vendor does not need to compensate Jumbo Channel pursuant to the terms and conditions of the Third Sale and Purchase Agreement.

Please refer to the announcements of the Company dated 9 March 2018 and 30 March 2020 and the circular of the Company dated 3 April 2018 for further details in respect of the acquisition and the fulfillment of performance guarantees.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CHARGE ON ASSETS

As at 30 June 2020, certain of the Group's trade receivables with an aggregate carrying amount of about HK\$50,000 (as at 31 December 2019: about HK\$50,000), financial asset at fair value through profit or loss of about HK\$826,000 (as at 31 December 2019: about HK\$952,000), debt investment at amortised cost of about HK\$7.4 million (as at 31 December 2019: HK\$7.6 million) together with short-term bank deposits of about HK\$7.5 million (as at 31 December 2019: about HK\$20.7 million) were pledged to secure certain banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

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

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

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

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

PROSPECTS

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (CONTINUED)

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (CONTINUED)

Continue To Improve the International Service Capabilities

Following with the globalization strategy, “going global with the ‘Belt and Road’ initiative, going global with Chinese and Chinese enterprises, and going global with cross-border e-commerce industry”, the Group is still continuing to improve its service coverage around the world in the future, especially the Southeast Asia. According to the market research conducted by Google and Temasek, the market of the Southeast Asian e-commerce economy is one of the fastest growing markets. Therefore, the Group intends to implement more investment and strategical plan in this area, and develop more business based on the success of the Chinese mainland and the Taiwan region.

The Group is planning to further utilize the resources of YTO Express to enhance the international freight capacity. Benefiting from YTO Airlines, which is wholly owned subsidiary of YTO Express, the Group can work with it smoothly and provide the highly-qualified air freight service for customers. Furthermore, the Group intends to strengthen its cooperation with the other subsidiaries of YTO Express around the world and further integrate the parent company’s resources to expand overseas business. In the future, the Group will complete the internal integration between the overseas subsidiaries of YTO Express and the subsidiaries of the Group. That enables the Group to expand the service coverage and cut down the cost as well.

Meanwhile, working with the external strategical partners, the Group will continue to improve the end-to-end service in the specific countries and areas based on previous investment, such as Vietnam and Thailand. According to the Group’s globalization plan, the Group also accelerates the construction of logistic routes in countries along the “Belt and Road” routes. The Group is working with the strategic partners, like Cainiao, so as to construct regional logistics gateways and regional international logistic hub in China and other countries. That could enable the Group to obtain the key resources, such as the airline, railway, warehouse etc., and further complements the Group’s operational capabilities in the key countries.

Based on the above strategic planning, the Group expects to obtain the capacities of the highly-qualified services for the customers and enhance market competitiveness to win more market shares of cross-border e-commerce.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (CONTINUED)

Strengthen Overseas Agency Network and Cooperation with Chinese Overseas Enterprises

The Group continues to strengthen the overseas agency network for developing the business. Based on the existing agents in the freight forwarding industry, the Group will introduce the express delivery service to the agents. That could enrich the service matrix when the agents develop the business for their customers. It is clear that the Group can dig further new value in the existing market. Furthermore, the Group is planning to strengthen the partner relationship with our agents in many aspects, such as by way of joint sales, and introducing e-commerce solution or other specialized logistic solutions. The Group is willing to work with our agents to expand our business and deepen our cooperation in many ways. This will effectively improve all of our profitability in this difficult situation.

Meanwhile, the Group intends to strengthen the cooperation with the Chinese enterprises around the world. According to the Group's globalization strategy, the Chinese and Chinese enterprises are one of the most important target customers for the Group. Leveraging the brand and public relationship of YTO Express in China, the Group will be able to get in touch with the Chinese overseas enterprises and achieve the strategic cooperation more efficiently. That enables the Group to expand the business in the countries and regions where the Company has never been involved before.

Further Develop the Specialized Service Capacities of Supply-Chain Management

Benefiting from the previous experience on aviation materials, medicines and automobiles, the Group has established capacities of the supply-chain service. In the future years, the Group intends to further develop these specialized service capacities to expand the business into other market segments. Thus, through utilizing the resources of YTO Express, such as warehouses, IT systems, and automation equipment, the Group can develop the business into new segments. Meanwhile, the Group intends to establish the e-commerce platform to assist the small and medium enterprises to export products to China. This platform will integrate the full supply-chain services and customs clearance services. That enables the Group to obtain the one-stop service for customers who are willing to develop the online channel and cross-border e-commerce.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS (CONTINUED)

Continue to Further Develop the Southeast Asian Market

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

Enhance IT Application Capacity and Promote Digitalization

The Group will continue to focus on the promotion of digitalization, which aims at improving the operational efficiency and management efficiency. The Group is willing to increase the IT system investment to upgrade the current system and build a system which can fully meet the requirement for its business development. Therefore, the Group will work with YTO Express and learn from the experience of YTO Express's IT system in the whole process management and digital transformation. Specifically, the Group will unify the data interfaces and build the data process platform to improve the internal and external data analysis. That enable the Group to obtain the ability of big data analysis gradually, so as to achieve the shift to smart and intelligent corporate management and improve the efficiency and cut down the cost effectively as well.

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

HUMAN RESOURCES

As at 30 June 2020, the Group employed about 965 employees (as at 30 June 2019: about 1,103 employees). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. During the Reporting Period, training activities have been conducted to improve the performance of sales and marketing activities and customer services.



CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board has 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 2020, 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 (<i>Note 1</i>)	26,744,000	6.42%
Mr. Yu Huijiao	Interest of controlled corporations (<i>Note 2</i>)	268,229,408	64.36%
Mr. Huang Yifeng	Beneficial owner (<i>Note 3</i>)	968,000	0.23%

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

(A) Long position in ordinary shares of the Company (Continued)

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 45.63% 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.
3. Out of 968,000 Shares, 700,000 Shares represented the interests in share awards granted by the Company and remained unvested. Details on such share awards are set out in the paragraph headed “Share Award Plan”. The balance of 268,000 Shares were held by Mr. Huang Yifeng personally.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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	1,443,961,053	45.63%
		Beneficial owner	133,450,083	4.22%
		Interest of spouse	98,127,852	3.10%
	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 or the Company's associated corporations' issued shares or registered capital as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 (<i>Note 1</i>)	Beneficial owner	26,744,000	6.42%
Ms. Li Wai Fun (<i>Note 1</i>)	Interest of spouse	26,744,000	6.42%
YTO Global Holdings Limited (<i>Note 2</i>)	Beneficial owner	268,229,408	64.36%
YTO Express (<i>Note 2</i>)	Interest of controlled corporations	268,229,408	64.36%
Yuantong Jiaolong (<i>Note 2</i>)	Interest of controlled corporations	268,229,408	64.36%
Ms. Zhang Xiaojuan (<i>Note 2</i>)	Interest of controlled corporations	268,229,408	64.36%

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.



CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

Long position in ordinary shares of the Company (Continued)

Notes: (Continued)

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".

* 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 2020.

Save as disclosed above, as at 30 June 2020, 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 "Share Option 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 Share Option Scheme.

SHARE AWARD PLAN

The Company adopted a share award plan on 17 August 2018 (the "Share Award Plan"). The purposes of the Share Award Plan are to recognise and reward the contribution of the eligible participants to the growth and development of the Group, to give incentives to the eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Details of the Share Award Plan were disclosed in the Company's announcements dated 17 August 2018 and 24 August 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SHARE AWARD PLAN (CONTINUED)

Details of movements of the share awards granted under the Share Award Plan during the Reporting Period are as follows:

Name or category of selected participants	Date of award	Vesting dates	Number of share awards					Outstanding as at 30 June 2020
			Outstanding as at 1 January 2020	Awarded during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	
Connected Selected Participants								
Ms. Wong Pui Wah	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	560,000	-	-	-	-	560,000
Mr. Chen Jinbo	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	350,000	-	-	-	-	350,000
Sub-total			910,000	-	-	-	-	910,000
Name of director								
Mr. Huang Yifeng (Note (1))	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	700,000	-	-	-	-	700,000
Independent Selected Participants	31 August 2018	30% on 2 September 2019; 30% on 1 September 2020; and 40% on 1 September 2021	3,710,000	-	-	(160,000)	-	3,550,000
Sub-total			4,410,000	-	-	(160,000)	-	4,250,000
Total			5,320,000	-	-	(160,000)	-	5,160,000

Notes:

- (1) Mr. Huang Yifeng was appointed as Director on 21 January 2020, other than that, none of the above selected participants are Directors.
- (2) Details of the above share awards were disclosed in the Company's announcement dated 31 August 2018 and circular dated 1 February 2019.



CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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:

- (i) Mr. Yu Huijiao was appointed as the general manager of Yuantong Jiaolong, a controlling shareholder of the Company in June 2020.
- (ii) Mr. Li Donghui resigned as an independent director of 中青旅控股股份有限公司 (China CYTS Holding Co., Ltd.*), a company listed on the Shanghai Stock Exchange (stock code: 600138) in May 2020.
- (iii) Mr. Lam Chun Chin, Spencer and the Company entered into a supplemental agreement (“Supplemental Agreement”) on 26 August 2020 to supplement the service agreement entered into among the parties on 2 November 2017 (“Service Agreement”), pursuant to which (a) the Service Agreement shall be terminated automatically upon expiry of the initial fixed term of the Service Agreement; and (b) Mr. Lam Chun Chin, Spencer will be entitled to a gratuity payment in an aggregate amount of HK\$12.5 million subject to and in accordance with the terms of the Supplemental Agreement.

* For identification purposes only



CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

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

APPRECIATION

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

By order of the Board

YTO Express (International) Holdings Limited

圓通速遞（國際）控股有限公司

Yu Huijiao

Chairman

Hong Kong, 26 August 2020



REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



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

INTRODUCTION

We have reviewed the interim financial report set out on pages 31 to 60, which comprises the consolidated statement of financial position of YTO Express (International) Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 August 2020



CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
	NOTES	HK\$'000	HK\$'000
Revenue	3	2,201,295	1,800,082
Cost of sales		<u>(1,829,320)</u>	<u>(1,543,912)</u>
Gross profit		371,975	256,170
Other income		8,392	6,048
Administrative expenses		(252,950)	(250,057)
Net impairment loss (recognised) reversed			
under expected credit loss model	10	(8,580)	834
Other gains or losses		44	(795)
Share of results of associates		811	352
Share of results of joint ventures		202	155
Finance costs		<u>(2,454)</u>	<u>(3,953)</u>
Profit before taxation		117,440	8,754
Income tax expense	4	<u>(20,835)</u>	<u>(2,312)</u>
Profit for the period	5	<u>96,605</u>	<u>6,442</u>
Profit for the period attributable to:			
Equity shareholders of the Company		95,456	5,143
Non-controlling interests		<u>1,149</u>	<u>1,299</u>
		<u>96,605</u>	<u>6,442</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	6	<u>23.03</u>	<u>1.25</u>
Diluted	6	<u>23.03</u>	<u>1.24</u>

The notes on pages 40 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 7.



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

The notes on pages 40 to 60 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

		(Unaudited) 30 June 2020	(Audited) 31 December 2019
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Investment properties	8	6,057	6,471
Property, plant and equipment	9	50,153	44,032
Right-of-use assets	9	123,751	51,256
Goodwill		14,827	14,828
Intangible assets		9,205	11,244
Interests in associates		16,623	16,045
Interests in joint ventures		7,925	7,720
Finance lease receivables		1,926	8,427
Deferred tax assets		506	392
		<u>230,973</u>	<u>160,415</u>
Current assets			
Trade receivables	10	664,282	561,283
Other receivables, deposits and prepayments		48,410	53,197
Contract assets		33,510	44,863
Financial asset at fair value through profit or loss		826	952
Debt investment at amortised cost		7,411	7,580
Finance lease receivables		12,664	12,345
Amount due from an intermediate holding company	15	2	–
Amount due from immediate holding company	15	1,245	1,245
Amounts due from joint ventures	15	3,434	7,233
Amounts due from associates	15	12,624	11,730
Amount due from a fellow subsidiary	15	2,888	42
Loan to an associate	15	–	200
Prepaid tax		3,356	6,341
Pledged bank deposits	16	7,480	20,720
Bank balances and cash		<u>374,218</u>	<u>269,008</u>
		<u>1,172,350</u>	<u>996,739</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AT 30 JUNE 2020

		(Unaudited) 30 June 2020	(Audited) 31 December 2019
	NOTES	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	11	454,284	402,905
Contract liabilities		1,611	6,464
Dividend payables	7	4,168	–
Loan from immediate holding company	15	–	30,000
Amounts due to associates	15	141	2,763
Amounts due to fellow subsidiaries	15	34,683	128
Tax liabilities		18,493	3,629
Lease liabilities		43,696	47,242
Bank borrowings	12	38,793	30,565
		<u>595,869</u>	<u>523,696</u>
Net current assets		<u>576,481</u>	<u>473,043</u>
Total assets less current liabilities		<u>807,454</u>	<u>633,458</u>
Non-current liabilities			
Other payables	11	3,307	3,855
Lease liabilities		106,727	23,557
Deferred tax liabilities		11,176	8,933
		<u>121,210</u>	<u>36,345</u>
Net assets		<u>686,244</u>	<u>597,113</u>
Capital and reserves			
Share capital	13	41,676	41,676
Reserves		639,762	548,929
		<u>681,438</u>	<u>590,605</u>
Total equity attributable to equity shareholders of the Company		681,438	590,605
Non-controlling interests		4,806	6,508
Total equity		<u>686,244</u>	<u>597,113</u>

The notes on pages 40 to 60 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to equity shareholders of the Company												
				Share				Property			Non-		
	Share	Share	Treasury	Capital	Special	Share	Translation	Statutory	revaluation	Retained	Sub-total	controlling	Total
	capital	premium	stock	reserve	reserve	reserve	reserve	reserve	reserve	profits	interests	interests	Total
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
					(Note a)		(Note b)						
At 31 December 2018 (audited)	41,427	420,916	(6,563)	(22,681)	(295,411)	738	(38,233)	15,419	11,241	449,268	576,121	6,186	582,307
HKFRS 16 adjustment	-	-	-	-	-	-	-	-	-	1,793	1,793	-	1,793
At 1 January 2019 (adjusted)	41,427	420,916	(6,563)	(22,681)	(295,411)	738	(38,233)	15,419	11,241	451,061	577,914	6,186	584,100
Profit for the period	-	-	-	-	-	-	-	-	-	5,143	5,143	1,299	6,442
Surplus on revaluation of on leasehold land and buildings	-	-	-	-	-	-	-	-	433	-	433	-	433
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	-	(58)	-	(58)	-	(58)
Share of other comprehensive expense of associates	-	-	-	-	-	-	(190)	-	-	-	(190)	-	(190)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	(56)	-	-	-	(56)	-	(56)
Exchange difference arising from foreign operations	-	-	-	-	-	-	(3,583)	-	-	-	(3,583)	(718)	(4,301)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(3,829)	-	375	5,143	1,689	581	2,270
Recognition of equity-settled share-based payment	-	-	-	-	-	5,088	-	-	-	-	5,088	-	5,088
Dividend declared to shareholders (Note 7)	-	-	-	-	-	-	-	-	-	(15,742)	(15,742)	-	(15,742)
Transfer to statutory reserve	-	-	-	-	-	-	-	704	-	(704)	-	-	-
At 30 June 2019 (unaudited)	41,427	420,916	(6,563)	(22,681)	(295,411)	5,826	(42,062)	16,123	11,616	439,758	568,949	6,767	575,716

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to equity shareholders of the Company													
	Share							Property			Non-			
	Share capital	Share premium	Treasury stock	Capital reserve	Special reserve	Share awards reserve	Translation reserve	Statutory reserve	revaluation reserve	Retained profits	Sub-total	controlling interests	Total	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
					<i>(Note a)</i>			<i>(Note b)</i>						
At 1 January 2020	41,676	429,238	(6,563)	(22,681)	(295,411)	-	(44,285)	17,401	11,792	459,438	590,605	6,508	597,113	
Profit for the period	-	-	-	-	-	-	-	-	-	95,456	95,456	1,149	96,605	
Surplus on revaluation of on leasehold land and buildings	-	-	-	-	-	-	-	-	57	-	57	-	57	
Deferred tax arising on revaluation of leasehold land and buildings	-	-	-	-	-	-	-	-	35	-	35	-	35	
Share of other comprehensive expense of associates	-	-	-	-	-	-	(232)	-	-	-	(232)	-	(232)	
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	3	-	-	-	3	-	3	
Exchange difference arising from foreign operations	-	-	-	-	-	-	(4,419)	-	-	-	(4,419)	21	(4,398)	
Reclassification adjustment upon disposal of a subsidiary	-	-	-	-	-	-	(446)	-	-	-	(446)	-	(446)	
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(5,094)	-	92	95,456	90,454	1,170	91,624	
Recognition of equity-settled share-based payment	-	-	-	-	-	4,547	-	-	-	-	4,547	-	4,547	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,872)	(2,872)	
Dividend declared to shareholders <i>(Note 7)</i>	-	-	-	-	-	-	-	-	-	(4,168)	(4,168)	-	(4,168)	
Transfer to statutory reserve	-	-	-	-	-	-	-	(265)	-	265	-	-	-	
At 30 June 2020 (unaudited)	41,676	429,238	(6,563)	(22,681)	(295,411)	4,547	(49,379)	17,136	11,884	550,991	681,438	4,806	686,244	

The notes on pages 40 to 60 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

Note:

- (a) 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 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.

- (b) Statutory reserve represents general and development fund reserve required in accordance with the laws and regulations in the relevant jurisdictions including the People’s Republic of China (the “PRC”), the Netherlands and Thailand.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
Note	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	117,440	8,754
(Increase)/decrease in trade receivables	(112,899)	207,611
Other operating activities	123,406	(17,630)
	127,947	198,735
NET CASH GENERATED FROM OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Interest received	703	738
Payment for intangible assets	—	(826)
Purchase of property, plant and equipment	(10,814)	(3,833)
Proceeds on disposal of property, plant and equipment	154	261
Penalty from early termination of lease contracts	(45)	—
Repayment from finance lease receivables	6,090	5,789
Advance to joint ventures	(373)	(934)
Advance to associates	(892)	(571)
Advance to fellow subsidiaries	(2,133)	—
Placement of pledged bank deposits	(3)	(21,595)
Withdrawal of pledged bank deposits	12,742	12
Payment for contingent considerations	—	(2,500)
Proceeds from disposal of debt investment at amortised cost	7,568	7,554
Investment in debt investment at amortised cost	(7,384)	(7,469)
Net cash inflow on acquisition of a subsidiary	18(a) 14,569	—
Net cash outflow on disposal of a subsidiary	(2,690)	—
	17,492	(23,374)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Interest paid	(2,135)	(3,953)
Advance from associates	(766)	536
Repayment to a joint venture	—	(175)
Repayment to a related company	—	(31)
Advance from a fellow subsidiary	98	110
Repayment of loan from immediate holding company	(30,000)	—
Advance to intermediate holding company	(2)	—
Decrease in bank overdrafts	—	(1,236)
Decrease in factoring loans	(2)	(74,694)
New bank loans raised	38,753	182,020
Repayment of bank loans	(30,523)	(230,853)
Repayment of lease liabilities	(13,356)	(21,880)
	(37,933)	(150,156)
NET CASH USED IN FINANCING ACTIVITIES		



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
Note	HK\$'000	HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,506	25,205
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	269,008	240,733
Effect of foreign exchange rate changes	(2,296)	(2,696)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>374,218</u>	<u>263,242</u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>374,218</u>	<u>263,242</u>

The notes on pages 40 to 60 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 29 to 30.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2019 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2020.

2. CHANGES IN ACCOUNTING POLICIES

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

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 9). There is no impact on the opening balance of equity at 1 January 2020.

3. REVENUE AND 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 Group’s chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on five 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 provision of warehousing services.
- International express and parcel: this segment is related to provision of time-define international express and parcel services.
- Others: this segment is related to freight forwarding by land and trucking services.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

a. Segment revenue and results

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

Notes:

- (i) Revenue from freight services, including air freight and ocean freight, is recognised over time upon the performance obligation is satisfied.
- (ii) Revenue from logistic services is recognised over time for warehousing services.
- (iii) Revenue from international express and parcel services is recognised over time for time-define international express and parcel services.
- (iv) Other services is recognised over time for land and trucking services.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

a. Segment revenue and results (Continued)

Reportable segment results represent the profit earned by each segment without allocation of other income, other gains or losses, share of results of associates, share of results of joint ventures, unallocated corporate expenses (including depreciation, amortisation and impairment, etc.) 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. Geographical information

The Group's revenue by geographical market based on the location of operations:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
The PRC (note i)	1,586,813	1,216,778
Europe (note ii)	192,281	193,761
Northern America (note iii)	173,098	189,197
Other Asian regions (note iv)	249,103	200,346
	<u>2,201,295</u>	<u>1,800,082</u>

Notes:

- (i) Included in the PRC segment are revenue from Hong Kong amounting to HK\$1,117,967,000 (six months ended 30 June 2019: HK\$841,748,000).
- (ii) Included in Europe segment are revenue from the Netherlands amounting to HK\$181,022,000 (six months ended 30 June 2019: HK\$174,135,000).
- (iii) Included in Northern America segment are revenue from the United States of America amounting to HK\$157,645,000 (six months ended 30 June 2019: HK\$164,866,000).
- (iv) Other Asian regions comprised countries which generated revenue that is individually immaterial to the Group's revenue.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. INCOME TAX EXPENSE

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. INCOME TAX EXPENSE (CONTINUED)

During both periods, under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the PRC subsidiaries of the Group are taxed at 25% during both periods.

Netherlands corporate income tax rates are chargeable at progressive tax rates. The corporate income tax charge has been calculated at the tax rate between 16.5% to 25.0% during both periods.

The corporate income tax in Vietnam is calculated at 20% of the estimated assessable profit.

Malaysia Corporate Income Tax is calculated at 24% of the estimated assessable profit during both periods.

Income tax expense in Canada comprises federal corporate income tax and provincial corporate income tax at 15% and 11.5% respectively during both periods.

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.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. PROFIT FOR THE PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	4,974	5,033
Depreciation of right-of-use assets	21,932	16,816
Amortisation of intangible assets	2,027	2,653
Net exchange loss	689	470
Gain on bargain purchase (<i>note 18(a)</i>)	(673)	—
	<hr/>	<hr/>

6. EARNINGS PER SHARE

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

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. EARNINGS PER SHARE (CONTINUED)

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

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares purchased under Share Award Plan as defined and detailed in note 17. Diluted earnings per share equals basic earnings per share for the six months ended 30 June 2020 because the dilutive potential ordinary shares outstanding were anti-dilutive.

7. DIVIDEND

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

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

8. INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at the end of the current interim period have 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. There has been decrease of HK\$296,000 in fair values of investment properties for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

The fair values of the Group's investment properties as at 30 June 2020 and 30 June 2019 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 2020 and 30 June 2019.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group acquired property, plant and equipment for a consideration of HK\$10,814,000 (six months ended 30 June 2019: HK\$3,833,000).

During the six months ended 30 June 2020, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$149,000 (six months ended 30 June 2019: HK\$599,000) for cash proceeds of HK\$154,000 (six months ended 30 June 2019: HK\$261,000), resulting in a gain on disposal of HK\$5,000 (six months ended 30 June 2019: loss of HK\$338,000).

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 values 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\$57,000 has been credited to the property revaluation reserve during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$433,000).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

The fair values of the Group's leasehold land and buildings as at 30 June 2020 and 30 June 2019 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 2020 and 30 June 2019.

During the six months ended 30 June 2020, the Group entered into new lease agreements for the use of land and buildings and motor vehicles. On lease commencement, the Group recognised additions of right-of-use asset of HK\$97,218,000 (six months ended 30 June 2019: HK\$15,184,000) and lease liability of HK\$95,939,000 (six months ended 30 June 2019: HK\$15,184,000).

During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments due to severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19 – Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. The amount of rent concessions related to COVID-19 is HK\$656,000 for the six months ended 30 June 2020.

10. TRADE RECEIVABLES

	(Unaudited) 30 June 2020	(Audited) 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	681,832	571,489
Less: allowance for credit losses	(17,550)	(10,206)
	<u>664,282</u>	<u>561,283</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

10. TRADE RECEIVABLES (CONTINUED)

The Group allows an average credit period of 30 days to its trade customers. The following is an ageing analysis of trade receivables, net of allowance for credit losses, based on invoice date, which are approximately the respective revenue recognition dates, at each of the reporting period:

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

During the six months ended 30 June 2020, the Group provided impairment allowance of HK\$8,705,000 (six months ended 30 June 2019: HK\$453,000) and reversed impairment allowance of HK\$125,000 (six months ended 30 June 2019: HK\$1,287,000).

11. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

12. BANK BORROWINGS

During the six months ended 30 June 2020, the Group obtained new bank borrowings amounting to HK\$38,753,000 (six months ended 30 June 2019: HK\$182,020,000) and repaid bank borrowings amounting to HK\$30,525,000 (six months ended 30 June 2019: HK\$230,853,000). The proceeds were used to finance the general working capital of the Group.

As at 30 June 2020, the loans carry interest at variable market rates ranging from 1.18% to 3.94% per annum (31 December 2019: 1.33% to 5.25% per annum). As at 30 June 2020, bank loans of HK\$38,753,000 (31 December 2019: HK\$30,523,000) are with a repayment on demand clause, and factoring loans of HK\$40,000 (31 December 2019: HK\$42,000) are repayable on demand.

13. CAPITAL AND RESERVES

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities 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).

	(Unaudited)		(Audited)		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input
	Fair value as at						
	30 June 2020	31 December 2019					
<i>HK\$'000</i>	<i>HK\$'000</i>						
Financial asset							
Investment fund classified as fair value through profit or loss	826	952	Level 1	Quoted market bid price	N/A		

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.

There is no transfer between different fair value hierarchy during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(i) Associates		
– Freight income received	1,440	1,496
– Freight charge paid	10,714	14,163
– Management fee income	1,269	1,126
– Loan interest income	–	13
	<hr/>	<hr/>
(ii) Joint ventures		
– Freight income received	16,511	10,037
– Freight charge paid	2,266	1,176
	<hr/>	<hr/>
(iii) Related companies with common directors		
On Good Development Limited		
– Rental expenses	860	870
	<hr/>	<hr/>
(iv) Fellow subsidiaries		
– Freight income received	2,952	5,800
– International express and parcel income received	374	–
– Freight charge paid	32,936	39,729
– International express and parcel expenses paid	6,995	1,336
– Interest expenses paid	319	–
– Rental expenses paid	31	–
– Trademark and domain fee paid	2	3
	<hr/>	<hr/>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

		(Unaudited)	(Audited)
		30 June	31 December
		2020	2019
	NOTES	HK\$'000	HK\$'000
(i) Associates			
– Trade receivables	<i>a</i>	1,742	1,926
– Other receivables	<i>c</i>	10,882	9,804
– Trade payables	<i>b</i>	187	2,030
– Other payables	<i>c</i>	(46)	733
– Loan to an associate	<i>g</i>	–	200
		<u> </u>	<u> </u>
(ii) Joint ventures			
– Trade receivables	<i>d</i>	2,703	6,876
– Other receivables	<i>c</i>	731	357
		<u> </u>	<u> </u>
(iii) Fellow subsidiaries			
– Trade receivables	<i>e</i>	713	–
– Other receivables	<i>c</i>	2,175	42
– Trade payables	<i>f</i>	34,585	128
– Other payables	<i>c</i>	98	–
		<u> </u>	<u> </u>
(iv) Immediate holding company			
– Other receivable	<i>c</i>	1,245	1,245
– Loan from immediate holding company	<i>h</i>	–	30,000
		<u> </u>	<u> </u>
(v) Intermediate holding company			
– Other receivable	<i>c</i>	2	–
		<u> </u>	<u> </u>



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Notes:

- (a) The followings are the ageing 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)	(Audited)
	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	131	90
31 – 60 days	304	26
61 – 90 days	129	13
91 – 180 days	175	93
Over 180 days	1,003	1,704
	<hr/>	<hr/>
	1,742	1,926
	<hr/>	<hr/>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Notes: (Continued)

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

	(Unaudited)	(Audited)
	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	134	1,970
31 – 60 days	17	–
61 – 90 days	33	60
91 – 180 days	3	–
	<hr/>	<hr/>
	187	2,030
	<hr/>	<hr/>

- (c) The amounts are non-interest bearing, unsecured and repayable on demand.
- (d) The following is an ageing 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)	(Audited)
	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,384	3,199
31 – 60 days	734	906
61 – 90 days	585	1,312
91 – 180 days	–	1,459
	<hr/>	<hr/>
	2,703	6,876
	<hr/>	<hr/>



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Notes: (Continued)

- (e) The following is an ageing 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 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
31 – 60 days	1	–
61 – 90 days	317	–
91 – 180 days	376	–
Over 180 days	19	–
	<hr/>	<hr/>
	713	–
	<hr/>	<hr/>

- (f) The followings are the ageing information of trade balances due to fellow subsidiaries, based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period:

	(Unaudited) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
0 – 30 days	8,162	17
31 – 60 days	6	–
61 – 90 days	–	53
91 – 180 days	172	58
Over 180 days	26,245	–
	<hr/>	<hr/>
	34,585	128
	<hr/>	<hr/>

- (g) The amount is unsecured, repayable on demand and carries interest at 5% per annum.
- (h) The amount is non-trade related, unsecured, interest-bearing at Hong Kong Interbank Offered Rate (“HIBOR”) plus 1% and repayable on demand.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. 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 2020 HK\$'000	(Audited) 31 December 2019 HK\$'000
Trade receivables	50	50
Financial asset at fair value through profit or loss	826	952
Loan receivable	7,411	7,580
Pledged bank deposits	7,480	20,720
	<u>15,767</u>	<u>29,302</u>

17. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Plan

A share award plan was adopted on 17 August 2018 (the "Share Award Plan"). The Share Award Plan is to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The awarded shares will be subscribed for and/or purchased by an independent trustee (the "Trustee") from the open market by utilising the funds to be allocated by the directors of the Company out of the Company's resources. The maximum number of awarded shares to be subscribed for and/or purchased by the Trustee for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued shares as at the beginning of such financial year.

The Share Award Plan shall be valid and effective for a period of 10 years commencing from 17 August 2018 but may be terminated earlier as determined by the board.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

17. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Award Plan (Continued)

During the six months ended 30 June 2020, the Trustee has not purchased ordinary shares of the Company on the Stock Exchange.

The Company granted 10,400,000 shares to 42 selected participants on 31 August 2018, which will be vested 30%, 30% and 40% on every anniversary date of the grant date. 3 selected participants did not accept the award shares granted pursuant to the award. As such an aggregate of 9,400,000 award shares were granted and accepted by the selected participants.

During the six months ended 30 June 2020, the Group recognised the total expense of HK\$4,547,000 (six months ended 30 June 2019: HK\$5,088,000) in relation to share awards granted by the Company based on the number of share awards granted expected to vest. At the end of the reporting period, the Group revises its estimates of the number of share awards that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share awards reserve.

18. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of a subsidiary

On 30 March 2020, YTO Express Worldwide Limited (“YTO BVI”), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with YTO Global Holdings Limited, pursuant to which YTO Global Holdings Limited has agreed to sell, and YTO BVI has agreed to purchase, 45,010,000 ordinary shares in YTO Courier (Hong Kong) Company Limited (“YTO courier (HK)”), representing the entire issued shares in YTO Courier (HK), at a consideration of HK\$6,940,000. YTO Courier (HK) is principally engaged in the provision of international express and parcel services.

The acquisition of YTO Courier (HK) was accounted for using acquisition accounting. The excess of the fair value of the identifiable assets and liabilities acquired during the acquisition over the total consideration which was satisfied through cash consideration was recognised directly in profit or loss. The fair value of the net identifiable assets was HK\$7,613,000, which was determined by the directors of the Company with reference to a valuation performed by an independent valuer, Asset Appraisal Limited.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

18. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of a subsidiary (Continued)

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	761
Intangible assets	19
Trade receivables	5,559
Other receivables, deposits and prepayments	732
Bank balances and cash	21,509
Trade and other payables	<u>(20,967)</u>
 Total	 <u>7,613</u>
 Satisfied by:	
Cash consideration	<u>(6,940)</u>
 Gain on bargain purchase (<i>Note 5</i>)	 <u>673</u>
 Cash acquired	 21,509
Cash consideration paid	<u>(6,940)</u>
 Net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary	 <u>14,569</u>

(b) Disposal of a subsidiary

On 1 June 2020, OTX Logistics Canada Limited (“OTX Canada”), an indirect non-wholly owned subsidiary of the Company, and Harbour Zone Limited as the selling shareholder, an indirect wholly owned subsidiary of the Company, entered into a share redemption agreement (“SRA”), pursuant to which Harbour Zone Limited has agreed to sell, and, OTX Canada has agreed to redeem, the 51 common shares in OTX Canada owned by Harbour Zone Limited, representing 51% of the entire issued shares in OTX Canada, at the consideration of CAD513,846 (equivalent to HK\$2,918,000), subject to and in accordance with the terms and conditions of the SRA. Upon completion, OTX Canada ceased to be a subsidiary of the Company and a gain on disposal of HK\$375,000 is recorded.