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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 6123)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

During the Reporting Period:

- **the Group's revenue amounted to about HK\$2,975.1 million, representing an increase of about 20.6% as compared to that of the corresponding period of 2023 (1H2023: about HK\$2,467.6 million);**
- **the Group recorded a loss attributable to equity shareholders of the Company of about HK\$42.1 million (1H2023: profit attributable to equity shareholders of the Company of HK\$107.6 million);**
- **segment results of air freight business recorded a decrease of about 60.9% as compared to that of the corresponding period of 2023, to about HK\$36.1 million (1H2023: about HK\$92.3 million);**
- **segment results of ocean freight business recorded an increase of about 32.0% as compared to that of the corresponding period of 2023, to about HK\$54.5 million (1H2023: about HK\$41.3 million); and**
- **segment results of international express and parcel services business recorded a decrease of about 82.2% as compared to that of the corresponding period of 2023, to about HK\$13.1 million (1H2023: about HK\$73.6 million).**

The board (the “**Board**”) of directors (the “**Directors**”) of YTO International Express and Supply Chain Technology Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”). The relevant financial figures for the six months ended 30 June 2023 (the “**1H2023**”) or other dates/periods are also set out in this announcement for comparative purposes.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		(Unaudited)	
		Six months ended 30 June	
	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	2	2,975,102	2,467,582
Cost of sales		<u>(2,801,015)</u>	<u>(2,168,011)</u>
Gross profit		174,087	299,571
Other income		9,743	14,717
Administrative expenses		(186,321)	(190,422)
Net impairment loss recognised under expected credit loss model	8	(1,405)	(509)
Impairment loss on investment in joint ventures	7	(22,810)	–
Other gains or losses		1,150	4,206
Share of results of associates		220	(138)
Share of results of joint ventures		(13,365)	15,870
Finance costs		<u>(1,324)</u>	<u>(1,043)</u>
(Loss)/profit before taxation		(40,025)	142,252
Income tax expense	3	<u>(2,855)</u>	<u>(33,860)</u>
(Loss)/profit for the period	4	<u>(42,880)</u>	<u>108,392</u>
(Loss)/profit for the period attributable to:			
Equity shareholders of the Company		(42,145)	107,592
Non-controlling interests		<u>(735)</u>	<u>800</u>
		<u>(42,880)</u>	<u>108,392</u>
		<i>HK cents</i>	<i>HK cents</i>
(Losses)/earnings per share			
Basic	5	<u>(10.08)</u>	<u>25.74</u>
Diluted	5	<u>(10.08)</u>	<u>25.74</u>

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

For the six months ended 30 June 2024

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(42,880)	108,392
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Deficit on revaluation of leasehold land and buildings	(1,318)	(5)
Deferred tax arising on revaluation of leasehold land and buildings	372	48
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of associates	187	217
Share of other comprehensive income of joint ventures	(981)	1,037
Exchange difference arising from foreign operations	(12,597)	(4,999)
Other comprehensive income for the period	(14,337)	(3,702)
Total comprehensive income for the period	(57,217)	104,690
Attributable to:		
Equity shareholders of the company	(56,078)	104,280
Non-controlling interests	(1,139)	410
Total comprehensive income for the period	(57,217)	104,690

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		(Unaudited)	(Audited)
		30 June	31 December
		2024	2023
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment property		4,525	5,051
Property, plant and equipment		27,906	29,775
Right-of-use assets		51,634	38,415
Goodwill		480	500
Intangible assets		13,868	7,606
Interests in associates		3,844	3,437
Interests in joint ventures	7	–	37,156
Deferred tax assets		<u>20,998</u>	<u>18,150</u>
		<u>123,255</u>	<u>140,090</u>
Current assets			
Trade receivables	8	958,438	1,044,855
Other receivables, deposits and prepayments		100,283	90,465
Contract assets		1,705	2,583
Financial asset at fair value through profit or loss		735	745
Amount due from immediate holding company		–	125
Amounts due from joint ventures		17,885	18,922
Amounts due from associates		10,758	14,651
Amounts due from fellow subsidiaries		30,996	10,697
Prepaid tax		13,224	14,923
Pledged bank deposits		19,433	21,644
A fixed bank deposit with maturity more than 3 months		1,003	3,855
Bank balances and cash		<u>701,748</u>	<u>823,029</u>
		<u>1,856,208</u>	<u>2,046,494</u>

		(Unaudited)	(Audited)
		30 June	31 December
		2024	2023
	NOTES	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	9	522,049	712,968
Contract liabilities		24,932	10,995
Dividend payables		9,664	–
Amounts due to associates		1,116	4,799
Amounts due to fellow subsidiaries		138,646	117,419
Tax liabilities		1,210	4,908
Lease liabilities		21,929	20,661
Bank borrowings		–	794
		<u>719,546</u>	<u>872,544</u>
Net current assets		<u>1,136,662</u>	<u>1,173,950</u>
Total assets less current liabilities		<u>1,259,917</u>	<u>1,314,040</u>
Non-current liabilities			
Other payables		2,528	1,697
Lease liabilities		32,775	19,335
Deferred tax liabilities		3,612	4,628
		<u>38,915</u>	<u>25,660</u>
Net assets		<u>1,221,002</u>	<u>1,288,380</u>
Capital and reserves			
Share capital		42,019	42,019
Reserves		<u>1,174,016</u>	<u>1,240,255</u>
Total equity attributable to equity shareholders of the Company		1,216,035	1,282,274
Non-controlling interests		<u>4,967</u>	<u>6,106</u>
Total equity		<u>1,221,002</u>	<u>1,288,380</u>

NOTES

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim results set out in this preliminary announcement do not constitute the Group's interim financial report for the six months ended 30 June 2024 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the HKICPA. It should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the interim financial report for the six months ended 30 June 2024 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

Changes in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("**2020 amendments**")
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("**2022 amendments**")
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

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

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

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

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

2. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

	(Unaudited) Segment revenue		(Unaudited) Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2024	2023 (restate)	2024	2023 (restate)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating and reportable segments				
Air freight	1,827,055	1,240,613	36,098	92,279
Ocean freight	379,757	320,432	54,543	41,326
Logistics	41,433	38,416	3,298	(23)
International express and parcel	682,027	778,655	13,070	73,593
Others	44,830	89,466	5,808	15,916
Total	<u>2,975,102</u>	<u>2,467,582</u>	112,817	223,091
Other income			9,743	14,717
Other gains or losses			1,150	4,206
Unallocated corporate expenses			(126,456)	(114,451)
Share of results of associates			220	(138)
Share of results of joint ventures			(13,365)	15,870
Finance costs			(1,324)	(1,043)
Impairment loss on investment in joint ventures			(22,810)	–
(Loss)/profit before taxation			<u>(40,025)</u>	<u>142,252</u>

3. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	3,287	15,080
– Enterprise Income Tax in the People’s Republic of China (the “PRC”)	2,409	1,485
– Vietnam Corporate Income Tax	338	394
– Malaysia Corporate Income Tax	189	247
– Thailand Corporate Income Tax	191	275
– Korea Corporate Income Tax	36	245
– Other jurisdictions	332	317
	<u>6,782</u>	<u>18,043</u>
(Over) under provision in respect of prior years		
– Hong Kong Profits Tax	–	(10)
– Enterprise Income Tax in the PRC	(33)	(10)
– Other jurisdictions	(145)	(360)
	<u>(178)</u>	<u>(380)</u>
Withholding tax on dividend received	<u>–</u>	<u>949</u>
Deferred taxation	6,604	18,612
	<u>(3,749)</u>	<u>15,248</u>
	<u><u>2,855</u></u>	<u><u>33,860</u></u>

4. PROFIT FOR THE PERIOD

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,291	3,379
Depreciation of right-of-use assets	13,424	12,513
Amortisation of intangible assets	874	809
Net exchange gain	<u>(1,274)</u>	<u>(4,491)</u>

5. (LOSSES)/EARNINGS PER SHARE

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

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Losses)/earnings		
(Losses)/earnings for the purposes of basic and diluted earnings per share ((losses)/profit for the period attributable to equity shareholders of the Company)	<u>(42,145)</u>	<u>107,592</u>

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>417,990</u>	<u>417,990</u>

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

Diluted (losses)/earnings per share equaled basic (losses)/earnings per share for the six months ended 30 June 2024 because the dilutive potential ordinary shares outstanding were anti-dilutive.

6. DIVIDEND

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Final dividend for the year ended 31 December 2023 of HK2.3 cents (31 December 2022: HK3.3 cents) per share	9,664	13,866

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

7. INTERESTS IN JOINT VENTURES

	(Unaudited)	(Audited)
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Cost of investments, unlisted	53,819	53,819
Share of post-acquisition profits and other comprehensive income, net of dividends received	(18,009)	(3,663)
Impairment loss on interests in joint ventures	(35,810)	(13,000)
	–	37,156

At the end of the reporting period, the Group performed the impairment assessment over the interests in joint ventures, given the continuous losses from ordinary operation recorded by the joint ventures, the Group recognised HK\$22,810,000 impairment loss on interests in joint ventures (six months ended 30 June 2023: HK\$Nil).

8. TRADE RECEIVABLES

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

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

	(Unaudited) 30 June 2024 <i>HK\$'000</i>	(Audited) 31 December 2023 <i>HK\$'000</i>
0–30 days	686,428	829,456
31–60 days	106,141	102,240
61–90 days	86,296	73,770
91–180 days	45,857	26,060
Over 180 days	33,716	13,329
	<u>958,438</u>	<u>1,044,855</u>

9. TRADE AND OTHER PAYABLES

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

	(Unaudited) 30 June 2024 <i>HK\$'000</i>	(Audited) 31 December 2023 <i>HK\$'000</i>
Within 60 days	222,980	399,414
61–180 days	73,651	39,946
181–365 days	10,095	4,350
Over 1 year	10,565	6,849
	<u>317,291</u>	<u>450,559</u>

10. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amount in respect of items disclosed for the first time in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Entering 2024, the global economy, after experiencing severe impacts from the COVID-19 pandemic, gradually showed a more robust recovery trend. According to the latest World Economic Outlook 2024 released by the International Monetary Fund (IMF), the global economic growth rate is expected to reach 3.0%, slightly recovering from that of 2.9% in 2023. However, geopolitical tensions, such as the rise of trade protectionism and regional conflicts, continued to create uncertainties for the global economy. Meanwhile, the restructuring of the global supply chain is still ongoing, and the high inflation issues in some countries and regions have not yet been effectively resolved. These factors collectively constrained the full recovery of the global economy and trade. The recovery and competition in the logistics industry, including international express delivery, freight, and supply chain management that the Group belongs to, remained highly challenging.

The Group specialises in international express and parcel services, international air and ocean freight forwarding, and contract logistics services (including warehousing, distribution, and customs services). In 2024, the Group deepened its implementation of YTO Express's international development strategy, adhering to the development strategy of "Going global with cross-border e-commerce, Going global with Chinese people and Chinese enterprises, and Going global with the Belt and Road initiative" (跟著跨境電商走出去、跟著華人華企走出去、跟著一帶一路走出去). The Group maintained stable development of its international freight forwarding business, with the focus on expanding the incremental logistics market, comprehensively upgraded its international product system, continuously extended the international logistics service chain, and gradually covered services such as cargo collection and dispatch, mainline transportation, customs clearance and transshipment, and last-mile delivery. The Group focused on developing international express and supply chain business. Leveraging resources such as overseas stations and airline networks, the Company refined and specialised in premium routes between China and Japan, and between Mainland China and Taiwan, continuously expanding dedicated routes to the United States, the United Kingdom, Australia, and other markets. The Group expanded supply chain logistics products in various fields such as apparel, automotive, semiconductors, and electronic products, and will promote the coordinated development of express, freight, and supply chain businesses according to local conditions, steadily enhancing its cross-border full-chain logistics service capabilities.

During the Reporting Period, constrained by the slow and stable recovery of the macro economy, the express and freight market faced intense competition, leading to a decline in demand from the Group's core customers. The complexity of price pressure and cost control increased, resulting in a decrease in the overall gross profit margin of freight and international express business. Additionally, one-time impairment losses from some associated companies affected the Group's overall performance.

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\$2,975.1 million (1H2023: about HK\$2,467.6 million), representing a period-on-period increase of about 20.6%. Gross profit amounted to about HK\$174.1 million (1H2023: about HK\$299.6 million), representing a period-on-period decrease of about 41.9%. Gross profit margin is about 5.9% (1H2023: about 12.1%), while the Group recorded a net loss attributable to equity shareholders of the Company of about HK\$42.1 million (1H2023: net profit attributable to equity shareholders of the Company of HK\$107.6 million), representing a period-on-period decrease of about 139.1%.

During the Reporting Period, the Group incurred one-off impairment loss on investment in joint ventures of around HK\$22.8 million. In the corresponding period in 2023, the Group incurred one-off gains of around HK\$37.0 million, which was recorded under share of results of joint ventures, mainly relating to the compensation recognised by OTX Logistics B.V. (a joint venture of the Company) from the settlement of a legal court case. No such one-off gain from share of results of joint ventures was recorded during the Reporting Period.

Excluding the impact of the abovementioned one-off loss and gain, the Group would record a net loss attributable to equity shareholders of the Company of about HK\$19.3 million (1H2023: net profit attributable to equity shareholders of the Company of HK\$70.6 million), representing a period-on-period decrease of about 127.3%. Such loss attributable to equity shareholders of the Company was mainly attributable to the decrease in overall gross margins of the Group's air freight and international express and parcel services operations as a result of the challenging macroeconomic conditions which led to both price pressures and increased complexity of cost controls.

SEGMENTAL ANALYSIS

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

Air Freight

The air freight forwarding business continued to be the largest business segment of the Group, representing about 61.4% of the Group's total revenue during the Reporting Period (1H2023: about 50.3%). Services offered by the Group mainly include arranging shipments upon receipt of booking instructions from customers, obtaining cargo spaces from airlines, preparing the relevant documentation, and upon delivery to the destination, arranging customs clearance and cargo handling. The Group is well-recognised in the logistics industry, and have received numerous accolades from international organisations and major airlines since 2000, including "Top Agent Award" from Cathay Pacific Cargo each year since 2006. Consequently, the Group has become one of the preferred business partners of renowned companies from around the world, hailing from the garment, footwear and electronic industries, delivery of small parcels for e-commerce business and among others.

During the Reporting Period, the air freight forwarding business recorded a revenue of about HK\$1,827.1 million (1H2023: about HK\$1,240.6 million), representing an increase of about 47.3% as compared to the corresponding period of 2023. Gross profit of the segment decreased from about HK\$136.1 million in the corresponding period of 2023 to about HK\$74.5 million during the Reporting Period, representing a period-on-period decrease of about 45.3%. The increase in revenue was due to the increase in the sales volume, while the decrease in gross profit of air freight forwarding business was due to the lower profit margin as a result of more price-sensitive market requirements for air freight and chartering services in the Reporting Period.

Ocean Freight

Contributed about 12.8% of the Group's total revenue during the Reporting Period (1H2023: about 13.0%), the ocean freight forwarding business of the Group principally includes organising of shipments, arranging customs clearance and haulage services. The established relationships with trade partners and shipping lines, together with the in-house tailored freight operations system, have enabled the Group to capture the ocean freight market growth. During the Reporting Period, revenue of ocean freight segment increased by about 18.5% period-on-period to about HK\$379.8 million (1H2023: about HK\$320.4 million). Gross profit increased to about HK\$69.6 million (1H2023: about HK\$64.7 million) due to the increase in demand for container spaces.

Logistics Services

Accounting for about 1.4% (1H2023: about 1.6%) of the Group's total revenue during the Reporting Period, the Group's services offered under the logistics services segment include warehousing, distribution and customs clearance. Warehousing includes picking and packing, labelling, quality inspection, sorting, picking-up and delivery services for export shipments from the shipper's location to the outgoing port and delivery of import shipments from arrival at the incoming port to the consignee's location. It is supported

by the Group's information technology platform, which allows customers to conveniently trace inventory levels, incoming and outgoing shipments and other information online. During the Reporting Period, the Group sought to further adjust its warehouse operation and enhance its transshipment capacities to cope with the market conditions. This segment achieved revenue of about HK\$41.4 million (1H2023: about HK\$38.4 million) and gross profit of about HK\$4.6 million (1H2023: about HK\$3.0 million) during the Reporting Period.

International Express and Parcel Services

International express and parcel services, which mainly consist of cross-border small parcels, is one of the Group's emerging businesses in recent years and also one of the important strategic sectors for the Group to respond to the booming global cross-border e-commerce market. It accounted for about 22.9% of the Group's total revenue for the Reporting Period (1H2023: about 31.6%). The Group continued to pay attention to the cross-border e-commerce market and consumer needs and commit to provide high-quality cross-border parcel logistics services for e-commerce platforms, merchants, and consumers.

During the Reporting Period, the Group actively developed new products and new path of chain to further expand into the international express and parcel service market. Revenue from international express and parcel service decreased by 12.4% from about HK\$778.7 million for corresponding period in 2023 to about HK\$682.0 million. During the Reporting Period, the Group has completed the delivery of about 34.8 million units of parcel under the international express and parcel services (corresponding period in 2023: about 74.9 million units).

During the Reporting Period, the gross profit of international express and parcel services decreased to about HK\$19.6 million (1H2023: about HK\$79.8 million), representing an decrease of about 75.4%, which was mainly due to the Group's long-term sustainable development strategy of focusing on products of international express and parcel services with long-term competitiveness and proactively reducing some of the products in international express and parcel services with short-term value during the Reporting Period.

Others

Other businesses of the Group include combined shipments, trucking, general sales agency, e-commerce business, custom clearance services and hand-carry services, the latter of which involve time sensitive shipments that allow the Group to charge higher fees and consequently benefit from higher profits. During the Reporting Period, the other business segments recorded a revenue of about HK\$44.8 million (1H2023: about HK\$89.5 million) and gross profit of about HK\$5.8 million (1H2023: about HK\$15.9 million). The gross profit margin of other businesses decreased from 17.8% in 1H2023 to 13.0% during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has centralized financing policies and control over all its operations which enable the Group to have a tight control over its treasury operations and lower average cost of funds. The Group's working capital as at 30 June 2024 was about HK\$1,136.7 million, representing an decrease of about 3.2% from about HK\$1,174.0 million as at 31 December 2023. The current ratio of the Group increased from about 2.35 times as at 31 December 2023 to about 2.58 times as at 30 June 2024.

As at 30 June 2024, the Group's bank balances and cash amounted to about HK\$701.7 million, representing an decrease of about 14.7% from about HK\$823.0 million as at 31 December 2023. For the Reporting Period, the Group had operating cash outflow of about HK\$93.5 million (1H2023: operating cash inflow of about HK\$71.5 million). As at 30 June 2024, the Group did not have any outstanding bank borrowings (as at 31 December 2023: 0.8 million). The gearing ratio of the Group was 0.0% as at 30 June 2024 (as at 31 December 2023: about 0.1%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2024 and as at 31 December 2023, the Group maintained a net cash position.

FOREIGN EXCHANGE RISK

In light of the nature of the Group's business, the Group is exposed to various foreign currency risks including RMB, USD, RM, SGD, THB, INR, EUR, GBP, JPY, VND, IDR, KRW, AED and TWD among which, RMB, EUR, USD and TWD are mostly used in our business apart from HKD. Nevertheless, the Group's operations are predominately affected by the fluctuations of RMB since HKD is pegged to USD. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the Reporting Period. 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 2024, the Group did not hold any material investment.

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2024, the Group did not have any capital expenditure commitment.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liability.

CHARGE ON ASSETS

As at 30 June 2024, certain of the Group's financial asset at fair value through profit or loss of about HK\$735,000 (as at 31 December 2023: about HK\$745,000), together with short-term bank deposits of about HK\$19.4 million (as at 31 December 2023: about HK\$21.6 million) were pledged to secure certain banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, on 5 July 2024, Citynet Logistics Worldwide Limited (“Citynet”), an indirect wholly-owned subsidiary of the Company, and “Kazpost”, a joint stock company incorporated in the Republic of Kazakhstan, entered into a partnership agreement (the “Partnership Agreement”) in relation to the formation of the “QazPost-YTO” Limited Liability Partnership (the “Partnership”) as a limited liability partnership in the Republic of Kazakhstan for, among others, the establishment of a joint distribution center in, and the development of international and domestic courier delivery services and other related services in the Republic of Kazakhstan and central Asia. The authorized capital of the Partnership will be US\$1 million. Upon completion of the payment of the authorized capital of the Partnership, the Partnership will be owned as to 60% by Citynet. For details of the Partnership Agreement, please refer to the Company's announcement dated 5 July 2024.

On 19 July 2024, Yuantong (Jiaxing) Supply Chain Co., Limited* (圓通(嘉興)供應鏈有限公司), an indirect wholly-owned subsidiary of the Company, and a wholly-owned subsidiary of YTO Express Group Co., Ltd.* (圓通速遞股份有限公司) (“YTO Express”), a controlling shareholder of the Group (as defined under the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong (“Stock Exchange”)), entered into an agreement to purchase the entire equity interest in Shanghai Yuantong International Cargo Freight Agent Co., Ltd.* (上海圓通國際貨物運輸代理有限公司), an indirect wholly-owned subsidiary of YTO Express, for a consideration of RMB8,810,000 (equivalent to about HK\$9,477,000) (the “Acquisition”). For details of the Acquisition, please refer to the Company's announcement dated 19 July 2024.

On 6 August 2024, Jumbo Channel Limited (“Jumbo”), an indirect wholly-owned subsidiary of the Company, and Uniserve Holdings Limited (“Uniserve”) entered into a share purchase agreement, in relation to the transfer of 50% shares of the Company's joint venture company, OTX Logistics B.V., from Jumbo to Uniserve at a consideration of Euro 1. The transaction is expected to be completed in the second half of 2024.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

PROSPECTS

After experiencing consecutive years of uncertainties and challenges, the global economy is gradually recovering in 2024. However, the macroeconomy still faces challenges due to multiple complex factors.

Entering into the interest rate cut cycle, the global economy is steadily recovering

According to the data from the International Monetary Fund (IMF), the global economic recovery is influenced by a combination of policy adjustments, supply chain restoration, and geopolitical impacts. In the second half of 2024, the overall inflationary pressure in major global economies is expected to ease gradually. The Federal Reserve and the European Central Bank may successively enter into an interest rate cut cycle. The monetary policies of major global economies are stabilising, providing a favourable environment for global economic recovery and bringing positive expectations. Geopolitical tensions are expected to gradually return to the negotiation track, accelerating the recovery of the global supply chain. The demand for express delivery and freight will steadily recover. At the same time, after experiencing significant fluctuations, the overall trend of energy and raw material prices is declining, which helps alleviate the cost pressure on enterprises and promotes the recovery of production activities. Based on the stable and improving macroeconomic environment mentioned above, the Group expects that its express delivery and freight industry will also gradually recover.

The global logistics continues to recover and transform

In the second half of 2024, the global air freight industry is expected to continue to recover. The latest data from the International Air Transport Association (IATA) shows that in the first half of 2024, global air cargo volume increased by approximately 15% compared to the same period in 2023, and has recovered to 90% of the level in the same period in 2019. According to the Air Freight Outlook 2024* (‘《2024年航空貨運展望》’), global air freight revenue is expected to reach USD150.0 billion in 2024, higher than that of USD140.0 billion in 2023, and the demand and capacity of air freight are expected to maintain a good growth trend. Meanwhile, according to data from the Baltic and International Maritime Council (BIMCO), global container transport volume is expected to increase by 2.5% in 2024, with the total volume on major routes and regional routes rising compared to 2023. The Group expects that the shipping industry will gradually return to normal operations after market adjustments following the pandemic.

Continuing the strong momentum, cross-border e-commerce promotes the prosperous development of logistics

With the continuous expansion of global trade and the rapid development of e-commerce, cross-border e-commerce has become a new consumption model after the COVID-19 pandemic and is a new engine for economic growth. According to a market research report, it is estimated that by 2025, the global cross-border e-commerce transaction volume will reach USD450 billion, with an annual compound growth rate of 20%. According to the data released by the General Administration of Customs of the PRC, in the first half of 2024, the total value of China's imports and exports of trade in goods was RMB21.17 trillion, representing a year-on-year increase of 6.1%, and for the first time in history, it exceeded RMB21 trillion. In terms of exports, China continued to leverage its advantageous position as the "world's factory", with the total value of imports and exports of goods in the first half of the year increasing by 8.7% year on year, among which the growth of exports was significantly faster than that of imports. This is attributed to the support policies of the Chinese government for export enterprises and the strong demand for Chinese goods in the global market. At the same time, many Chinese e-commerce platforms have formulated overseas strategies. Platforms such as Temu, TikTok, Lazada, and Shopee have all been in the public eye, providing global consumers with quality products and bringing new growth and vitality to the market. The vigorous development of cross-border e-commerce and the growing consumer demand for fast and reliable delivery services have significantly expanded the service scope of the Group, directly promoting the prosperity of international logistics services and bringing new business growth points to the international logistics industry.

Leading development and transformation, digital transformation helps improve quality, increase efficiency, and reduce costs

Along with the rapid digitalization and development of technologies, digital transformation and artificial intelligence are not only hot topics in the current express and logistics industry but also an inevitable trend for future development. According to the forecast of International Data Corporation (IDC), by 2027, the global logistics industry's digital transformation investment will reach USD250.0 billion. International logistics enterprises are steadily enhancing their research and development innovation capabilities, actively promoting the application of cutting-edge technologies such as big data and cloud computing in business, management, services, and products. They are implementing smart decision-making, intelligent customer service, smart terminals, unmanned sorting, and other developments. The logistics service and operation full-chain refined management capabilities and intelligent analysis decision-making levels are steadily improving, enabling logistics enterprises to more accurately predict market demand, optimise resource allocation, and improve operational efficiency. In the future, express logistics enterprises will accelerate the deep integration of business operation systems with emerging technologies such as artificial intelligence, promoting the transition from the digital era to the artificial intelligence era, enhancing the level of intelligent business management, and bringing revolutionary changes to the logistics industry.

Based on abovementioned factors, the Group maintains a cautiously optimistic outlook for the market in the second half of the year. The following is the Group's specific analysis on its business focuses for the second half of 2024 based on the current macroeconomic environment and industry trends:

Expanding the service network, strengthening infrastructure to enhance comprehensive capabilities

The Group adopts the vision of “The World is Within Your Reach” (“世界因我們觸手可得”) and adhere to the development concepts of “Going global with the ‘Belt and Road’ initiative, Going global with cross-border e-commerce, and Going global with Chinese and Chinese enterprises” (跟著一帶一路走出去、跟著跨境電商走出去、跟著華人華企走出去) to steadily expand the global network layout. The Group endeavours to build a radiating network of “China Connects the World and the World Connects the World” (“中國聯世界、世界聯世界”), an international and domestic integrated one-stop service and network operation system, and a global integrated logistics network with a global vision and layout.

In the second half of 2024, the Group will accelerate the expansion of its international network, attracting more quality partners to join the YTO network within the region through various forms such as strategic cooperation, franchise licensing, investment and merge and acquisition. The Group will further optimise and expand the international logistics network and enlarge the international market layout by focusing on strengthening cooperation with major global economies, deepening the expansion into emerging markets such as Central Asia, Southeast Asia, and the Middle East. Through collaboration with local logistics service providers and e-commerce platforms, the Group will leverage localised service advantages to increase its market share. The Company will build a “Superior and Premium Line” (“優勢精品專線”), which includes Taiwan, Japan, Australia, the United States, Southeast Asia, and Central Asia (Kazakhstan), combining the characteristics of local market demands to promote the coordinated operation and development of express delivery, freight, and supply chain businesses accordingly. Meanwhile, the Group will continue to increase resource investment in the above strategic direction, accomplish resource sharing and capability exchange with partners, and achieve in-depth cooperation in international express and small parcel business, air charter, warehousing and logistics, international supply chain and other aspects. The Group will also enhance the infrastructure and operational capabilities of its subsidiaries globally in multiple dimensions.

Leveraging advantageous resources to create premium air and ocean freight routes

Based on the aviation fleet resources of YTO Cargo Airlines Co., Ltd. (“YTO Airlines”), the Group will develop premium air freight routes for South Asia, Northeast Asia, Australia, and Europe on the existing foundation of cross-border e-commerce platform customers and large electronic industry customers served by the Group. Based on the existing ocean freight service customers and business scale, the Group will focus on creating premium ocean freight routes in Southeast Asia and North America.

Strengthening business cooperation and expanding the scope of cross-border e-commerce services

The Group will continue to strengthen its cooperation with major e-commerce platforms such as Temu and TikTok Shop, while also expanding its cooperative relationships with other global e-commerce platforms. The plan is to improve the quality of international logistics services, optimise the cross-border e-commerce logistics chain, and provide more efficient and reliable products and services. Leveraging the Group's air freight network advantages in the Asia-Pacific region, we will further expand the scope of cross-border e-commerce logistics services and improve operational efficiency.

Upgrading the product system, achieving integrated and coordinated development domestically and internationally

YTO Express is the parent company of the Group. By the end of 2023, YTO Express's courier service network covers 31 provinces, autonomous regions, and municipalities of China. Cities above the prefecture level have basically achieved full coverage, and the coverage of cities above county level has reached 99.89%, with more than 5,000 franchisees. In the second half of 2024, the Group will optimise its eight major businesses, including international express delivery, international supply chain, and international freight, based on the fully upgraded international product system. This will strengthen the interconnection between domestic and international customers, enhance the synergy of express delivery, freight, and supply chain businesses, and improve the core competitiveness of domestic and international products. The Group will develop an integrated international supply chain logistics service capability of "warehouse and trunk customs distribution", accelerating the expansion of the international market. Currently, the Group has gradually initiated the marketing integration project with YTO Express, utilizing over 5,000 franchisees of YTO Express to market to a wide range of customers in China with international logistics needs to whom the Group can provide suitable international logistics products and services. This marketing integration project will greatly enhance the Group's customer acquisition efficiency, expand the Group's customer acquisition coverage areas, and strengthen customer business stickiness.

Improving quality control standards, enhancing the quality of whole life cycle services

The Group will adhere to the idea of quality first and maintain the policy of "safety, quick, convenience, reliability and technology" as the core. It has formulated a quality control system of the whole life cycle of public rail, sea and air freight + warehouse and trunk customs distribution. Going forward, the Group will establish a complete management standard, system process and performance appraisal system.

Firstly, the Group will make clear the product quality standards and requirements, follow international quality standards, and ensure that product packaging, transportation and other aspects are in compliance with their respective quality standards. Secondly, a sound supplier management mechanism will be established by the Group as there are many suppliers involved in international logistics, and strict quality control and evaluation are required for each of them. Suppliers are strictly screened to ensure stable and reliable product quality. A standardized logistics operation process including warehousing management, loading and unloading operations, and transportation route selection, will also be established to ensure that the links in the logistics process are under control.

Strengthening technology applications and comprehensively upgrading core business systems

Increasing scientific and technological investments is the key starting point for the Group to promote business development. With the promotion and deployment of the Group's core business systems such as King Kong (金剛) and global freight forwarding, the Company will enhance the construction of the international business data middle platform. The Group will gradually optimize the user-end software for international business, which will in turn enhance the business efficiency and service quality of the Group as well as provide strong support for new business expansion. Based on the existing scientific and technological research and development advantages and rich industrial practices, the Group will build a logistics cloud platform to promote the interconnection of logistics elements and information. Through the connection of air, rail and sea freights, domestic and international and other logistics elements, the Group will break the isolated information island, promote the smooth flow of information, increase the proportion of multimodal transport, and achieve the goal of "Connecting the World (聯全球、通全球)" eventually.

Enlarging selection and training to nurture an international and professional talent team

The Group will increase the recruitment and training of international talents, by selecting outstanding talents suitable for global assignments within the Group and YTO Express, strengthening targeted training, and continuously cultivating an international, professional, and younger talent team to support the development of overseas markets and networks.

HUMAN RESOURCES

As at 30 June 2024, the Group employed about 1,033 employees (as at 31 December 2023: about 978 employees). During the Reporting Period, employee cost, including Directors' remuneration, was about HK\$130,798,000 (1H2023: about HK\$138,668,000). Remuneration packages are generally structured to market terms, individual qualifications and experience. The Company has also adopted a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations. During the Reporting Period, training activities have been conducted to improve the performance of sales and marketing activities and customer services.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2024, there were no treasury shares held by the Company.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (1H2023: nil).

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of Appendix C1 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors' securities transactions throughout the Reporting Period.

AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

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

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

Hong Kong, 21 August 2024

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

** For identification purposes only*