THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in YTO Express (International) Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or transferee, or to the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED
圓通速遞（國際）控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 6123)

CONTINUING CONNECTED TRANSACTIONS MASTER SERVICE AGREEMENT, MASTER CHARTER AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

紅日資本有限公司
RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 52 of this circular.

A notice convening the EGM of YTO Express (International) Holdings Limited to be held at Suite 2208, 22nd Floor, Office Tower, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Thursday, 30 December 2021 at 3:00 p.m. is set out on pages 60 to 62 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytoglobal.com). Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the holding of the EGM (i.e. not later than 3:00 p.m. on Tuesday, 28 December 2021) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

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

PRECAUTIONARY MEASURES AT THE EXTRAORDINARY GENERAL MEETING

In view of the recent developments of the coronavirus (COVID-19) pandemic, and taking into consideration of the guidelines issued by the Government of Hong Kong, the Company will implement the following preventive measures at the EGM to protect attending shareholders from the risk of infection:

– compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue;
– every shareholder or proxy is required to wear surgical face mask throughout the meeting;
– no refreshment will be served; and
– no souvenir will be distributed.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue.

The Company wishes to remind all shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

8 December 2021

CONTENTS

"Announcement"	the announcement of the Company dated 5 November 2021 in relation to, among others, the Master Service Agreement and Master Charter Agreement
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"CAGR"	compound annual growth rate, a measurement to assess the growth rate of value over time
"Cargo Members"	YTO Cargo and YTO Cargo Shanghai
"Cargo Terminal Expenses"	as defined in the paragraph headed "(B) Master Charter Agreement – Pricing Policy" of this circular
"Charter and Related Fees"	the charter fee and other charter related fees (including but not limited to fuel surcharge and deicing fee) for each of the countries and regions around the world
"close associate"	has the meaning ascribed to it under the Listing Rules
"Company"	YTO Express (International) Holdings Limited 圓通速遞(國際)控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the main board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Suite 2208, 22nd Floor, Office Tower, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Thursday, 30 December 2021 at 3:00 p.m. to consider, and if thought fit, to approve the Master Service Agreement and the Master Charter Agreement and the respective proposed annual caps

"Existing Master Charter Agreement"	the agreement dated 23 August 2019 and entered into between the Company (for itself and on behalf of other members of the Group) and YTO Cargo pursuant to which YTO Cargo will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for the term commencing from 27 November 2019 to 31 December 2021
"Existing Master Service Agreement"	the agreement dated 24 April 2019 and entered into between the Company and Yuantong where (i) the Company have appointed Yuantong Members as the Group's agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members' agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services for the term commencing as of 1 January 2019 to 31 December 2021
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Master Service Agreement and the Master Charter Agreement and the respective proposed annual caps
"Independent Financial Adviser"	Red Sun Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Master Service Agreement and the Master Charter Agreement and the respective proposed annual caps

"Independent Shareholders"	Shareholders, other than YTO Global Holdings Limited and its associates and any Shareholder who has material interest in the Master Service Agreement and the Master Charter Agreement and the transactions respectively contemplated thereunder, and the respective proposed annual caps
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) not connected person(s) (as defined in the Listing Rules) of the Company
"Latest Practicable Date"	1 December 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Charter Agreement"	the agreement dated 5 November 2021 and entered into between the Company (for itself and on behalf of other members of the Group) and the Cargo Members pursuant to which the Cargo Members will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes
"Master Service Agreement"	the agreement dated 5 November 2021 and entered into between the Company and Yuantong where (i) the Company have appointed Yuantong Members as the Group's agents for the rest of the world; and (ii) Yuantong have appointed the Group as Yuantong Members' agents for the rest of the world, for the provision of international express and parcel services and/or air and ocean freight services
"Mr. Yu"	Mr. Yu Huijiao, a non-executive Director and a controlling shareholder of the Company
"PRC"	the People's Republic of China, excluding for the purposes of this circular only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi yuan, the lawful currency of the PRC

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	shares of HK$0.10 each in the capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"YTO Cargo"	YTO Cargo Airlines Co., Ltd.* 杭州圓通貨運航空有限公司, a company established in the PRC and a wholly owned subsidiary of Yuantong
"YTO Cargo Shanghai"	Shanghai Yuantong International Cargo Freight Agent Co., Ltd.* 上海圓通國際貨物運輸代理有限公司, a company established in the PRC and a wholly owned subsidiary of Yuantong
"Yuan Jun"	Shanghai Yuan Jun International Trading Company Limited* 上海圓鈞國際貿易有限公司, a company established in the PRC and a wholly-owned subsidiary of Yuantong, and a controlling Shareholder
"Yuantong"	YTO Express Group Co., Ltd. 圓通速遞股份有限公司, a joint stock limited liability company established in the PRC and a controlling shareholder of the Company
"Yuantong Jiaolong"	Shanghai Yuantong Jiaolong Investment Development (Group) Co., Ltd.* 上海圓通蛟龍投資發展(集團)有限公司, a company established in the PRC and a controlling shareholder of the Company
"Yuantong Members"	Yuantong and its subsidiaries and associated companies excluding the Group
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

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

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)

Executive directors:
Mr. Sun Jian
Mr. Huang Yifeng

Non-executive Directors:
Mr. Yu Huijiao *(Chairman)*
Mr. Pan Shuimiao
Mr. Li Xianjun
Mr. Chen Dong

Independent Non-executive Directors:
Mr. Li Donghui
Mr. Xu Junmin
Mr. Chung Kwok Mo John

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business:
Suite 3610, 36th Floor
Office Tower, Skyline Tower
39 Wang Kwong Road
Kowloon Bay, Kowloon
Hong Kong

8 December 2021

To the Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS
MASTER SERVICE AGREEMENT
AND
MASTER CHARTER AGREEMENT

INTRODUCTION

Reference is made to the Announcement. As disclosed in the Announcement, as the Existing Master Service Agreement and Existing Master Charter Agreement will each expire on 31 December 2021, the Master Service Agreement and Master Charter Agreement were entered into for the renewal of the respective agreements.

The main purpose of this circular is to provide you with, among other things, (i) further information regarding the Master Service Agreement and the Master Charter Agreement, (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Service Agreement and the Master Charter Agreement and the transactions respectively contemplated thereunder, as well as the respective proposed annual caps; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Master Service Agreement and the Master Charter Agreement and the transactions respectively contemplated thereunder, as well as the respective proposed annual caps; and (iv) a notice of the EGM to the Shareholders.

(A) MASTER SERVICE AGREEMENT

Principal terms

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

Pricing policy

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

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

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

Historical amount

The approximate transaction amount between the Group and Yuantong Members for the provision of international express and parcel services and provision of air and ocean freight services, for each of the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 are set out below:

		For the year ended 31 December		**For the nine months ended 30 September**
		2019	**2020**	**2021**
		(HK$ million)	*(HK$ million)*	*(HK$ million)*
(i)	Service fees paid to Yuantong Members	41.7	50.2	185.0
(ii)	Income received from Yuantong Members	5.7	11.3	135.4

Annual caps

The Directors estimated that the annual transaction amount between the Group and Yuantong Members in respect of the provision of international express and parcel services and provision of air and ocean freight services contemplated under the Master Service Agreement for the years indicated below will be as follows:

		For the year ending 31 December		
		2022	**2023**	**2024**
		(HK$ million)	*(HK$ million)*	*(HK$ million)*
(i)	Service fees to be paid to Yuantong Members *(Note 1)*	69.7	83.6	100.3
(ii)	Income to be received from Yuantong Members *(Note 2)*	366.4	465.6	558.8

Notes:

1. The proposed annual cap for the service fees to be paid to Yuantong Members for the year ending 31 December 2022 is expected to decrease by approximately 62.3% as compared to the nine months ended 30 September 2021 given the change in operating strategy of the Group with a view to further enhance its operational efficiencies via engaging more of air freight chartering services. The Group expects that it will opt for air freight chartering services in the future under the circumstances whereby relevant charter flight costs are considered to be more economical than air freight costs as a whole.

   The proposed annual cap for the service fees to be paid to Yuantong Members for the years ending 31 December 2023 and 2024 represents a year-on-year increase of approximately 19.9% and 20.0%, respectively, as compared to the corresponding prior year annual cap. Such expected increase in the proposed annual caps is mainly attributable to (i) the expected increase in business growth of the Group taking into account the historical increase in cost of sales recorded by the Group during the two years ended 31 December 2019 and 2020; and (ii) the Group's strategy to expand the scale of its business cooperation between East Asia, European and American markets, which would also drive the demand for logistics and ancillary services for the PRC part of the delivery route.

2. The proposed annual cap for the income to be received from Yuantong Members is expected to increase for (i) the year ending 31 December 2022 by approximately 170.6% as compared to the nine months ended 30 September 2021; and (ii) the years ending 31 December 2023 and 2024 by a year-on-year increase of approximately 27.1% and 20.0%, respectively, as compared to the corresponding prior year annual cap. Such expected increase in the proposed annual cap is mainly attributable to (i) the significant growth potentials of Yuantong Members' demand for the relevant international logistics services being offered by the Group. Such growth potential is supported by the year-on-year increase of revenue attributable to international express and parcel services growth rate of Yuantong

Members of 46.8% for the year ended 31 December 2020 and a three year CAGR of approximately 109.5% between 2018 and 2020. Furthermore, making comparisons against the historical transacted amounts is of limited relevancy as the Yuantong Members did not exclusively engage the Group for international logistic services; and (ii) in the event that the Group sets proposed annual caps which are insufficient, the Group will have to temporarily downscale and/or cease its services to be provided to Yuantong Members until a new annual cap is proposed and approved by the then Independent Shareholders (as the case may be), which would adversely affect the operational efficiency of the Group and limit the revenue that could otherwise be derived from the provision of such logistic services to Yuantong Members.

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

(i) the historical actual amount of (a) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members; and (b) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the two years ended 31 December 2020 and the nine months ended 30 September 2021;

(ii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;

(iii) the expected growth of approximately 27% and 20% in demand of international express and parcel services and air and ocean freight services to be provided by Yuantong Members for the years ending 31 December 2023 and 2024, respectively; and

(iv) the expected growth of approximately 20% in demand of international express and parcel services and air and ocean freight services to be provided to Yuantong Members for the years ending 31 December 2023 and 2024, respectively.

(B) MASTER CHARTER AGREEMENT

Principal terms

On 5 November 2021, the Company (for itself and on behalf of other members of the Group) entered into the Master Charter Agreement with the Cargo Members, pursuant to which the Cargo Members will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for the term commencing from 1 January 2022 to 31 December 2024 unless terminated earlier by 60 days' written notice by either party.

Pricing policy

The Charter and Related Fees shall be determined by the parties at the time of placing the order with reference to the Charter and Related Fees charged by Independent Third Party freight services providers of comparable services. The Group will obtain quotation from at least one (or such other number as shall be determined by the majority of the independent non-executive Directors from time to time) Independent Third Party freight services providers and compare it with the terms offered by the relevant Cargo Members for the provision of air freight charter services. The Group from time to time will assess the type of flight carrier needed including but not limited to model, size and maximum loading capacity of aircraft. Owning to the above prerequisites to fulfill the Group's demand and need, there may be occasions whereby only one other air freight charter services provider offers the same air freight charter services as offered by the Cargo Members for a particular route. As such, under such circumstances, the Group will at least obtain the quotation available in the market as comparison with the terms offered by the relevant Cargo Members. For such exceptional circumstances, the Board is of the view that one quotation is sufficient in determining the Charter and Related Fees as such would be the only quotation available in the market at the material time. Under the prerequisites mentioned above, where more than one air freight charter services provider is available for a particular route, the Group will generally obtain quotation from at least two to three Independent Third Party freight services providers for comparison. The Group will also compare the track record and reputation of such Independent Third Party freight services provider against the relevant Cargo Members' track record and reputation. The Charter and Related Fees shall be determined by using the lower of (i) the Charter and Related Fees offered by the relevant Cargo Members; and (ii) quotation from Independent Third Party freight services providers of comparable services.

All expenses related to cargo terminal operations ("**Cargo Terminal Expenses**") at departure and destination airport are to be paid by the Group, and in the event that the relevant cargo terminal requested such expenses to be directly settled by the relevant Cargo Members, the relevant Cargo Members will settle such amount on behalf of the Group and the Group will fully reimburse the relevant Cargo Members for such expenses and pay a handling fee, which is equivalent to 5% of the Cargo Terminal Expenses to the relevant Cargo Members.

The relevant member of the Group which uses the services under the Master Charter Agreement shall settle payments on weekly basis to the relevant Cargo Members by ways of telegraphic transfer.

Historical amount

The Group has not previously engaged YTO Cargo Shanghai (i.e. one of the Cargo Members) for the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes.

The approximate transaction amount between the Group and YTO Cargo for the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for each of the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 are set out below:

	For the year ended 31 December		For the nine months ended 30 September
	2019	**2020**	**2021**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Charter and Related Fees, the Cargo Terminal Expenses (which include those paid by YTO Cargo to the relevant cargo terminal on behalf of the Group) and handling fees in respect of the Cargo Terminal Expenses paid and/or reimbursed by the Group to YTO Cargo	–	26.9	0.3

Annual caps

The Directors estimated that the annual transaction amount between the Group and the Cargo Members in respect of the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes contemplated under the Master Charter Agreement for the years indicated below will be as follows:

	For the year ending 31 December		
	2022	**2023**	**2024**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Charter and Related Fees, the Cargo Terminal Expenses (which may be payable by the Cargo Members to the relevant cargo terminal on behalf of the Group) and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to the Cargo Members *(Note)*	839.6	1,297.7	1,995.4

Note:

The proposed annual cap under the Master Charter Agreement for the year ending 31 December 2022 is expected to increase to HK$839.6 million from HK$0.3 million for the nine months ended 30 September 2021. Such expected increase in the proposed annual cap is mainly attributable to (i) the change in operating strategy of the Group with a view to further enhance its operational efficiencies via engaging more of air freight chartering services as explained in note 1 under the section headed "(A) Master Service Agreement – Annual Caps". As such, the annual cap under the Master Charter Agreement for the year ending 31 December 2022 have increased correspondingly to reflect the aforesaid operating strategy of the Group; and (ii) the factors contributing to the expected increase in the proposed annual cap under the Master Charter Agreement as set out below for the years ending 31 December 2023 and 2024.

The proposed annual cap under the Master Charter Agreement for the years ending 31 December 2023 and 2024 represents a year-on-year increase of approximately 54.6% and 53.8%, respectively, as compared to the corresponding prior year annual cap. Such expected increase in the proposed annual caps is mainly attributable to (i) the expansion of the air freight chartering services for route between the PRC and East Asia, European and American regions as an integral part of the Group's expansion plan; (ii) the notable growth potentials of the Group in expanding the air freight chartering services into East Asia, European and American regions as these regions together accounted for more than 80% of the world's air cargo market share in terms of cargo tonne kilometers; (iii) the change in operating strategy of the Group with a view to further enhance its operational efficiencies via engaging more of air freight chartering services as mentioned above; and (iv) the expected increase in business growth of the Group.

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

(i) the historical actual amount of Charter and Related Fees, the Cargo Terminal Expenses and handling fees in respect of the Cargo Terminal Expenses paid and/or reimbursed by the Group to YTO Cargo for the two years ended 31 December 2020 and the nine months ended 30 September 2021; and

(ii) the expected growth of approximately 55% and 54% in demand of air freight chartering services to and from countries and regions around the world by the Group (calculated based on the expected increase in number of flights required by the Group) for the years ending 31 December 2023 and 2024.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Master Service Agreement

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

Master Charter Agreement

The Group will benefit from the chartering services provided by the Cargo Members, in particular, the variety of chartering routes offered by the Cargo Members in different countries and regions around the world. This allows the Group to enhance the air freight forwarding services it may offer to its customers and increase its operational efficiency. As such, the Directors consider that the Master Charter Agreement is essential to the business growth of, and is for the commercial benefit of the Group.

The Directors (other than the independent non-executive Directors who will form their view after considering the advice from the Independent Financial Adviser) consider that the Master Service Agreement, the Master Charter Agreement and all transactions respectively contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and that the terms of each of the Master Service Agreement and the Master Charter Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

INFORMATION ON THE GROUP, YUANTONG AND THE CARGO MEMBERS

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

Yuantong is a company listed on the Shanghai Stock Exchange (stock code: 600233). Yuantong Members are principally engaged in the warehousing and distribution of goods as a leader in the express and courier service market in the PRC.

Each of the Cargo Members is a company established in the PRC and a wholly owned subsidiary of Yuantong. Each of the Cargo Members is principally engaged in air cargo transportation and as freight forwarding agent.

RELATIONSHIPS AND IMPLICATIONS UNDER THE LISTING RULES

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

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

The proposed annual caps, when aggregated together pursuant to Rule 14A.83 of the Listing Rules, in respect of the provision and supply of (i) international express and parcel services and air and/or ocean freight forwarding services; and (ii) air freight chartering services, contemplated under the Master Service Agreement and the Master Charter Agreement exceed HK$10 million, and based on the aggregate of the proposed annual caps, it is expected that the highest of the applicable percentage ratios (other than the profits ratio) exceeds 5% on an annual basis. Accordingly, each of the Master Service Agreement and the Master Charter Agreement is subject to the annual reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Yu Huijiao, Mr. Li Xianjun, Mr. Chen Dong and Mr. Pan Shuimiao are materially interested in the continuing connected transactions under the Master Service Agreement and the Master Charter Agreement, they have abstained from voting on the respective resolutions passed at the Board meeting for approving the Master Service Agreement and the Master Charter Agreement, as well as the respective proposed annual caps. Save for the Directors mentioned above, none of the other Directors is or is deemed to have a material interest in the above transactions.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

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

EGM

An EGM will be held to consider and, if thought fit, passing the ordinary resolutions to approve, among other matters, the Master Service Agreement, the Master Charter Agreement and the transactions respectively contemplated thereunder, and the respective proposed annual caps.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date, YTO Global Holdings Limited and its associates will be required to abstain from voting on the resolutions relating to the Master Service Agreement and the Master Charter Agreement and all transactions respectively contemplated thereunder, and the respective proposed annual caps at the EGM. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Master Service Agreement and the Master Charter Agreement and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions. As at the Latest Practicable Date, YTO Global Holdings Limited held 268,229,408 Shares (representing approximately 63.84% of the total issued Shares).

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytoglobal.com). Whether or not you are able to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM (i.e. not later than 3:00 p.m. on Tuesday, 28 December 2021) or the adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish and in such event, your proxy form shall be deemed to be revoked.

Details of the Master Service Agreement and Master Charter Agreement will be disclosed in the Company's published annual report and accounts in accordance with Rule 14A.49 of the Listing Rules.

VOTING BY POLL AT THE EGM

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Master Service Agreement, the Master Charter Agreement and all transactions respectively contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and that the terms of each of the Master Service Agreement and the Master Charter Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Master Service Agreement, the Master Charter Agreement and the transactions respectively contemplated thereunder, and the respective proposed annual caps.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular, which contains its recommendation to the Independent Shareholders as to the Master Service Agreement and the Master Charter Agreement, and the respective proposed annual caps; and (ii) the letter from the Independent Financial Adviser set out on pages 21 to 52 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Master Service Agreement and the Master Charter Agreement, and the respective proposed annual caps and reasons considered by it in arriving at its opinion.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the Master Service Agreement, the Master Charter Agreement and all transactions respectively contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and that the terms of each of the Master Service Agreement and the Master Charter Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Independent Board Committee recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Master Service Agreement, the Master Charter Agreement and the transactions respectively contemplated thereunder, and the respective proposed annual caps.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 December 2021 to Thursday, 30 December 2021 (both days inclusive) for the purpose of determining the right to attend and vote at the EGM. In order to be qualified for attending and voting at the EGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4: 30 p.m. (Hong Kong time) on Thursday, 23 December 2021.

ADDITIONAL INFORMATION

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

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

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)

8 December 2021

To the Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS
MASTER SERVICE AGREEMENT
AND
MASTER CHARTER AGREEMENT

We refer to the circular dated 8 December 2021 (the "**Circular**") issued by the Company to its Shareholders of which this letter forms part. Unless the context requires otherwise, the capitalized terms used herein shall have the same meanings as defined in the Circular.

We understand that Yuantong and the Cargo Members are connected persons of the Company, the Master Service Agreement, the Master Charter Agreement and all transactions respectively contemplated thereunder, and the respective proposed annual caps constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and shall be subject to the approval by the Independent Shareholders.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Master Service Agreement, the Master Charter Agreement and all transactions respectively contemplated thereunder are on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and that the terms of each of the Master Service Agreement and the Master Charter Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Further information of its advice is set out on pages 21 to 52 of the Circular. Your attention is also drawn to the letter from the Board set forth on pages 5 to 18 of the Circular.

Having considered the advice and recommendation of Red Sun Capital Limited, we are of the opinion that the Master Service Agreement, the Master Charter Agreement and all transactions respectively contemplated thereunder are on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of the Group and that the terms of each of the Master Service Agreement and the Master Charter Agreement as well as the respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Master Service Agreement, the Master Charter Agreement and the transactions respectively contemplated thereunder, and the respective proposed annual caps.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Li Donghui **Mr. Xu Junmin** **Mr. Chung Kwok Mo John**
Independent non-executive Directors

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

紅日資本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

8 December 2021

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO MASTER SERVICE AGREEMENT AND MASTER CHARTER AGREEMENT

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Service Agreement and the Master Charter Agreement, and the transactions contemplated thereunder (the "**Continuing Connected Transactions**") as well as the respective proposed annual caps for the three years ending 31 December 2024 thereunder (the "**Proposed Annual Caps**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 8 December 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Based on the Letter from the Board, as the Existing Master Service Agreement and Existing Master Charter Agreement will each expire on 31 December 2021, the Master Service Agreement and Master Charter Agreement were entered into for the renewal of the respective agreements.

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

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

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

As at the Latest Practicable Date, YTO Global Holdings Limited, and its associates will be required to abstain from voting on the resolutions relating to the Master Service Agreement and the Master Charter Agreement and all transactions respectively contemplated thereunder, and the Proposed Annual Caps at the EGM. YTO Global Holdings Limited held 268,229,408 Shares (representing approximately 63.84% of the total issued Shares) as at the Latest Practicable Date. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Master Service Agreement and the Master Charter Agreement and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

II. THE INDEPENDENT BOARD COMMITTEE

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

Our appointment has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions contemplated under each of the Master Service Agreement and the Master Charter Agreement (i.e. the Continuing Connected Transactions) are conducted in the ordinary and usual course of business, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Master Service Agreement and the Master Charter Agreement and the transactions and the relevant Proposed Annual Caps contemplated thereunder at the EGM.

III. OUR INDEPENDENCE

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

IV. BASIS OF OUR ADVICE

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

The Directors jointly and severally accept full responsibility for the accuracy of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. In addition, pursuant to the relevant Listing Rules, we have taken reasonable steps to enable ourselves to reach an informed view so as to provide a reasonable basis for our opinion, which included, among others (i) obtained the Master Service Agreement and Master Charter Agreement and reviewed the terms thereunder; (ii) reviewed the contents as set out in the Letter from the Board, including the background of the Continuing Connected Transactions and the reasons for and benefits of the Master Service Agreement and Master Charter Agreement; (iii) reviewed the information as set out in the 2020 Annual Report (defined hereafter) and the 2021 Interim Report (defined hereafter) for our analysis on the background and historical financial performance of the Group; (iv) conducted market research on the overview of the macro-economy and logistics industry; (v) obtained sampled transactions for the purpose of our fairness and reasonableness analysis; (vi) reviewed the basis of assumptions for the Proposed Annual Caps; and (vii) conducted our analysis on the fairness and reasonableness of the Proposed Annual Caps.

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

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

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Group

1.1. Background information of the Group

As set out in the annual report of the Group for the year ended 31 December 2020 (the "**2020 Annual Report**"), 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.

Based on the segmental reporting information as set out in the 2020 Annual Report, the Group has derived its revenue primarily from its air freight and ocean freight and international express and parcel services segments, being the three largest segments by revenue.

1.2. Historical financial performance of the Group

Set out below is a summary of the Group's operating results by geographical locations and operating segments, based on the 2020 Annual Report and the interim report of the Group for the six months ended 30 June 2021 (the "**2021 Interim Report**"):

Summary of the Group's operating results by geographical information:

	For the six months ended 30 June		For the year ended 31 December	
	2021	**2020**	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue by geographic location				
– The PRC	2,282,711	1,586,813	3,645,067	2,600,936
– Europe	162,283	192,281	403,973	432,222
– Northern America	223,028	173,098	373,210	418,592
– Other Asian regions	370,290	249,103	625,863	446,153
Total	**3,038,312**	**2,201,295**	**5,048,113**	**3,897,903**
Revenue by operating segment				
– Air freight	1,404,840	1,410,266	3,062,518	2,201,854
– Ocean freight	793,375	326,411	817,371	855,276
– Logistics	35,748	42,134	82,778	81,591
– International express and parcel	744,284	320,244	952,870	642,349
– Others	60,065	102,240	132,576	116,833
Total	**3,038,312**	**2,201,295**	**5,048,113**	**3,897,903**

*For the six months ended 30 June 2021 ("**1H2021**") and 30 June 2020 ("**1H2020**")*

The Group's revenue amounted to approximately HK$2,201.3 million and HK$3,038.3 million for 1H2020 and 1H2021, respectively. For 1H2021, the PRC was the Group's largest geographical segment by revenue, which contributed approximately HK$2,282.7 million, represented approximately 75.1% of the Group's total revenue, compared to 1H2020, whereby the PRC contributed approximately HK$1,586.8 million, represented approximately 72.1% of the Group's total revenue. The aforesaid increase was primarily attributable to the notable recovery and steady growth of the PRC's economy from the pandemic which has increased cross-border e-commerce and export activities. The Management also considered that the strong productivity of the Chinese manufacturing industry, as evidenced by the PRC's gross domestic product (the "**GDP**") for the first half of 2021, will further promote the export of Chinese commodity and cross-border e-commerce activities, and provide the Group with more market opportunities in the post-pandemic era.

We also noted that air freight was the Group's largest operating segment by revenue, which contributed approximately HK$1,404.8 million, represented approximately 46.2% of the Group's total revenue for 1H2021, compared approximately HK$1,410.3 million, represented approximately 64.1% of the Group's total revenue for 1H2020.

The Group's remaining revenue was derived from ocean freight, logistics, international express and parcel, and others, which amounted to approximately HK$791.0 million and HK$1,633.5 million for 1H2020 and 1H2021, respectively.

*For the year ended 31 December 2020 ("**FY2020**") and 31 December 2019 ("**FY2019**")*

The Group's revenue increased notably from approximately HK$3,897.9 million for FY2019 to approximately HK$5,048.1 million for FY2020. For FY2020, the PRC was the Group's largest geographical segment by revenue, which contributed approximately HK$3,645.1 million, represented approximately 72.2% of the Group's total revenue, compared to FY2019, whereby the PRC contributed approximately HK$2,600.9 million, represented approximately 66.7% of the Group's total revenue. The aforesaid increase was primarily attributable to the increase in demand for health care and medical supplies contributed to a large portion of the Group's revenue during FY2020. The remaining revenue was contributed by Europe, North America and other Asian regions which, in aggregate, amounted to approximately HK$1,297.0 million and HK$1,403.0 million for FY2019 and FY2020, respectively, which remained largely stable.

We noted that air freight was the Group's largest operating segment by revenue, which contributed approximately HK$3,062.5 million, represented approximately 60.7% of the Group's total revenue for FY2020, compared approximately HK$2,201.9 million, represented approximately 56.5% of the Group's total revenue for FY2019. The aforesaid increase was primarily attributable to the increase in demand for health care and medical supplies contributed to a large portion of the Group's revenue during the FY2020.

The Group's remaining revenue was derived from ocean freight, logistics, international express and parcel, and others, which amounted to approximately HK$1,696.0 million and HK$1,985.6 million for FY2019 and FY2020, respectively. Such increase was mainly attributable to the increasing number of consumers globally opting for online shopping to meet their needs at the relevant time due to safety concerns and closure of physical shops as a result of the COVID-19 pandemic. The Group's revenue from international express and parcel services increased from approximately HK$642.3 million during the FY2019 to approximately HK$952.9 million during the FY2020, representing an increase of approximately 48.4%.

2. Overview of macro-economy and logistics industry

2.1 Overview of macro-economy

The logistics industry is dependent on global trade, including international import and export activities, which are in turn affected by the global economy. According to the Global Trade Update released by the United Nations Conference on Trade and Development ("**UNCTAD**") *(source: https://unctad.org/system/files/officialdocument/ditcinf2021d2en.pdf)* in May 2021, global trade recovered significantly from the COVID-19 pandemic in the first quarter of 2021, setting a new record of a year-on-year growth of approximately 10% and quarter-on-quarter growth of approximately 4%. The overall forecast for 2021 indicates an increase in global trade of approximately 16% (commodity trade is expected to increase by approximately 19% and service trade is expected to increase by approximately 8%). It is estimated that global trade in goods and services will reach approximately US$6.6 trillion in the second quarter of 2021.

According to a report published by the World Bank in June 2021, it is estimated the global growth rate to be approximately 5.6% for 2021. Further, we also noted that pursuant to the article published by the World Bank in June 2021 titled "China Economic Update – June 2021" *(source: https://www.worldbank.org/en/country/china/publication/china-economic-update-june-2021)*, barring unforeseen circumstances, the PRC's economy will post strong growth in 2021 and the annual gross domestic product (the "**GDP**") growth of the PRC for 2021 and 2022 has been estimated to be approximately 8.5% and 5.4%, respectively.

2.2 Overview of international logistics industry

Based on a publication by the International Air Transport Association ("**IATA**"), being the trade association for the world's airlines[1], titled "Annual Review 2021" released in October 2021 (the "**IATA Report**") (*source: www.iata.org/contentassets/c81222d96c9a4e0bb4ff6ced0126f0bb/iata-annual-review-2021.pdf*), we noted that passenger airline business continued to be adversely affected by the COVID-19 pandemic into 2021. However, the IATA Report also sets out that the strong upward trend in air cargo traffic observed in the second half of 2020 has continued into 2021. Cargo tonne kilometers ("**CTKs**") from January 2021 to July 2021 were approximately 7.9% above the same period in 2019, such represents that, in terms of CTKs, it have surpassed their pre-COVID peak in August 2018 by nearly 5.0%. Air cargo has also outperformed global goods trade in 2021 (up to the date of the report), a common pattern usually found at the beginning of economic upturns, when businesses turn to air freight to rapidly restock inventories to meet rising demand. Air cargo also benefits from other supply chain dynamics, such as exceptionally long supplier delivery times and expensive fares for other transport modes.

2.3 Overview of the logistics industry in the PRC

Having considered that (i) the Group's revenue generated from the PRC accounted for approximately 66.7%, 72.2% and 75.1% of its total revenue for FY2019, FY2020 and 1H2021, respectively; (ii) air freight is the Group's largest revenue contributor out of its operating segments by revenue for each of FY2019, FY2020 and 1H2021; and (iii) the transactions contemplated under both of the Master Service Annual Caps and the Master Charter Annual Caps are significant driven by the demand from or associated with the PRC, thus we have conducted background research on the PRC air traffic.

As set out in Statistics of Key Performance Indicators for China's Civil Aviation Industry for August 2021*（中國民航2021年8月份主要運輸生產指標統計）published by China Aviation Administration of China*（中國民用航空局）("**CAAC**") (*source: www.caac.gov.cn/XXGK/XXGK/TJSJ/202110/P020211020359452223447.pdf*), the civil aviation industry in the PRC recorded (i) freight total turnover*（運輸總周轉量）of approximately 60,040 million tonne-kilometre ("**tkm**") for the eight months ended 31 August 2021, representing an increase of approximately 29.1% from the corresponding period in the prior year; (ii) cargo and mail turnover*（貨郵周轉量）of approximately 18,540 million tkm for the eight months ended 31 August 2021, representing an increase of approximately 24.9% from the corresponding period in the prior year; and (iii) cargo and mail transport volume*（貨郵輸送量）of approximately 11.8 million tonne for the eight months ended 31 August 2021, representing an increase of approximately 20.9% from the corresponding period in the prior year.

[1] *As set out in the website of IATA, it is the trade association for the world's airlines, representing some 290 airlines or 82% of total air traffic.*

3. Reasons for and benefits of the Master Service Agreement and the Master Charter Agreement

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

In addition, we also noted from the Letter from the Board that the Group will benefit from the chartering services provided by the Cargo Members, in particular, the variety of chartering routes offered by the Cargo Members in different countries and regions around the world. This allows the Group to enhance the air freight forwarding services it may offer to its customers and increase its operational efficiency. As such, the Directors consider that the Master Charter Agreement is essential to the business growth of, and is for the commercial benefit of the Group.

Furthermore, from our review of the 2020 Annual Report, we noted that the Group's aggregated revenue from air freight, ocean freight and international express and parcel was approximately HK$3,699.5 million and HK$4,832.8 million for FY2019 and FY2020, respectively, represented a year-on-year increase of approximately 30.6%.

Having considered that (i) the Group is principally engaged in, amongst others, air freight services, ocean freight services and international express and parcel services; (ii) Yuantong possesses a strong express logistic service network covering the PRC, which shall support the Group's development of end-to-end full-chain services of transportation and logistics business; (iii) the Continuing Connected Transactions are a furtherance of the Group's principal businesses; (iv) the respective annual caps, if approved, would facilitate the Continuing Connected Transactions for the three years ending 31 December 2022, 2023 and 2024 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; and (v) the Group has the right but not the obligation to seek or provide the relevant services from/to the Yuantong Members at terms determined in accordance with the respective pricing policies, we concur with the Directors' view that the Continuing Connected Transactions are in the interests of the Company as a whole.

4. Background and information of the Master Service Agreement and the Master Charter Agreement

4.1 Principal terms of the Master Service Agreement

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

Date: 5 November 2021

Parties: (i) the Company;

(ii) Yuantong

Pricing policy:

(a) Where the Group acts as the freight forwarding agent:

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

It is currently a policy of the Group to generally maintain a profit margin of 8%. In case of profit margin that is less than 8%, further approval from the management of the Group is required with a view to ensure such profit margin is fair and reasonable on a case-by-case basis. Such profit margin will be determined by the Group's management from time to time with reference to, among others, the timetable of air and ocean freight carriers, the route, popularity of the route, seasonality, and any other factors in which the Group's management from time to time may consider material. For example, (i) timetable of air and ocean freight carriers: frequency of air and/or ocean freight can affect the supply of air cargo and/or container space. As a result, it will affect the level of spaces which the Group may be able to secure for its services; (ii) route: different routes combined with various departure and destination points will offer the Group greater flexibility in setting its service fee as the Group may formulate routes depending on the air and/or ocean freight rate than prevailing at the relevant departure and/or destination point; (iii) popularity of the route: popularity affects the supply of air cargo and/or container space of the route and its price offered by airline and shipping companies, and hence affecting the Group to consider which route or modes of transportation service will be the most economical; and (iv) seasonality: supply and demand of air cargo and/or container space will be different between peak seasons and non-peak seasons.

Air and ocean freight rate are usually higher during peak seasons. As air and ocean freight rate fluctuates frequently depending on market demand, the Group's management will make reference to the then prevailing air and ocean freight rate to determine the profit margin which could be charged. For example, demand for air cargo and/or container space has surge during COVID-19 pandemic which has driven up air and ocean freight rate. The then prevailing level of competition in the market and the then applicable abovementioned factors (such as seasonality and routes) may increase or decrease the profit margin which could be charged by the Group. At time when the Group is more competitive than other rivals, in terms of being able to secure more air cargo and/or container space from carries during time when less air and/or ocean freight is offered or on popular routes or during peak seasons, or being able to formulate cost saving routes by combining various departure and destination points given its ability to secure air cargo and/or container space at the relevant departure and destination points, the Group's management will then have a higher bargaining power to set a higher profit margin or maintain its profit margin level at times when the freight forwarding market is highly competitive. In this connection, the Group may grant discounts for high volume orders to connected party and/or Independent Third Party customers of the Group. Such will be determined on a case-by-case basis and on the basis that such profit margin to be charged will be fair and reasonable. For example, during non-peak seasons, the Group may offer discounts for high volume orders so as to maximise the utilisation of all available air cargo and/or container spaces which the Group have already purchased.

(b) Where Yuantong Members acts as the freight forwarding agent:

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

For each transaction under the Master Service Agreement, the parties shall enter into separate order according with the relevant pricing policy, provided that the terms and conditions of each of the order shall be (i) on normal commercial terms; and (ii) on terms which the Group considers to be no less favourable to the Group than terms offered by Independent Third Parties to the Group for such services of comparable quality. On this basis, we consider that effective implementation of the pricing policy shall ensure that terms of the transactions under the Master Services Agreement to be fair and reasonable. For more detailed work performed by us, please refer to the Section headed "4.2 Analysis on the principal terms of the Master Service Agreement" below.

4.2 Analysis on the principal terms of the Master Service Agreement

We noted that the pricing policy under the Master Service Agreement (the "**Master Service Pricing Policy**") as set out under the paragraph headed "4.1 Principal terms of the Master Service Agreement – Pricing policy" in this letter above.

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

Service fees under the Existing Master Service Agreement

The Management has confirmed that terms, including service fees for the international express and parcel services, air and ocean freight services, payable to Yuantong Members by the Group (the "**Service Fees**"), in relation to transactions entered into pursuant to the Existing Master Service Agreement have complied with the pricing policy under the Existing Master Service Agreement up to the Latest Practicable Date.

In this connection, we have obtained and reviewed a total of sixteen sample transactions, including international express and parcel services and air/ocean freight services provided by the Yuantong Members to the Group under the Existing Master Service Agreement, selected on a random sampling basis, and compared with sample of similar transactions, entered into between the Group and Independent Third Parties. Given that the aforesaid sampled transactions, were selected on a random sampling basis, included transactions with both Yuantong Members and independent third parties, covering the international express and parcel services as well as the air/ocean freight services provided to the Group in 2021, being the most recent year, we consider the samples to be fair and representative. Based on our work performed, which included the comparison of the relevant service fees of connected sample transactions (the "**Sampled Services Connected Transaction(s)**") against similar independent third party sample transactions (the "**Sampled Services I3P Transaction(s)**"), we noted that the service fees under the Sampled Services Connected Transactions were no less favourable than the similar Sampled Services I3P Transactions.

Service income under the Existing Master Service Agreement

In addition, the Management has also confirmed that terms, including service income for the international express and parcel services, air and ocean freight services, payable to the Group by Yuantong Members (the "**Service Income**"), in relation to transactions entered into pursuant to the Existing Master Service Agreement have complied with the pricing policy under the Existing Master Service Agreement up to the Latest Practicable Date.

In this connection, we have obtained and reviewed a total of eight sample transactions, including international express and parcel services, air/ocean freight services provided by the Group to the Yuantong Members under the Existing Master Service Agreement, selected on a random sampling basis, and compared with sample of similar transactions, entered into between the Group and Independent Third Parties. Given that the aforesaid sampled transactions, were selected on a random sampling basis, included transactions with both Yuantong Members and independent third parties, covering the international express and parcel services as well as the air/ocean freight services provided by the Group in 2021, being the most recent year, we consider the samples to be fair and representative. Based on our work performed, which included the comparison of the relevant service income of connected sample transactions (the "**Sampled Income Connected Transaction(s)**") against similar independent third party sample transactions (the "**Sampled Income I3P Transaction(s)**"), we noted that the service fees under the Sampled Income Connected Transactions were no less favourable than the similar Sampled Income I3P Transactions.

Summary

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

4.3 Principal terms of the Master Charter Agreement

On 5 November 2021, the Company (for itself and on behalf of other members of the Group) entered into the Master Charter Agreement with the Cargo Members, pursuant to which the Cargo Members will provide air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for the term commencing from 1 January 2022 to 31 December 2024 unless terminated earlier by 60 days' written notice by either party. The principal terms of the Master Charter Agreement summarised below are based on the Letter form the Board.

Date: 5 November 2021

Parties:
(i) The Company (for itself and on behalf of other members of the Group);

(ii) Cargo Members

Pricing policy:

The Charter and Related Fees shall be determined by the parties at the time of placing the order with reference to the Charter and Related Fees charged by Independent Third Party freight services providers of comparable services. The Group will obtain quotation from at least one (or such other number as shall be determined by the majority of the independent non-executive Directors from time to time) Independent Third Party freight services providers and compare it with the terms offered by the relevant Cargo Members for the provision of air freight charter services.

The Group from time to time will assess the type of flight carrier needed including but not limited to model, size and maximum loading capacity of aircraft. Owning to the above prerequisites to fulfill the Group's demand and need, there may be occasions whereby only one other air freight charter services provider offers the same air freight charter services as offered by the Cargo Members for a particular route. As such, under such circumstances, the Group will at least obtain the quotation available in the market as comparison with the terms offered by the relevant Cargo Members. For such exceptional circumstances, the Board is of the view that one quotation is sufficient in determining the Charter and Related Fees as such would be the only quotation available in the market at the material time. Under the prerequisites mentioned above, where more than one air freight charter services provider is available for a particular route, the Group will generally obtain quotation from at least two to three Independent Third Party freight services providers for comparison. The Group will also compare the track record and reputation of such Independent Third Party freight services provider against the relevant Cargo Members' track record and reputation. The Charter and Related Fees shall be determined by using the lower of (i) the Charter and Related Fees offered by the relevant Cargo Members; and (ii) quotation from Independent Third Party freight services providers of comparable services.

All expenses related to cargo terminal operations (the "**Cargo Terminal Expenses**") at departure and destination airport are to be paid by the Group, and in the event that the relevant cargo terminal requested such expenses to be directly settled by the relevant Cargo Members, the relevant Cargo Members will settle such amount on behalf of the Group and the Group will fully reimburse the relevant Cargo Members for such expenses and pay a handling fee, which is equivalent to 5% of the Cargo Terminal Expenses to the relevant Cargo Members.

The relevant member of the Group which uses the services under the Master Charter Agreement shall settle payments on weekly basis to the relevant Cargo Members by ways of telegraphic transfer.

4.4 Analysis on the principal terms of the Master Charter Agreement

We noted from the Company's pricing policy in connection with the transactions under the Master Charter Agreement (the "**Master Charter Pricing Policy**") as set out in the Letter from the Board that each transaction under the Master Charter Agreement, the Charter and Related Fees shall be determined by the parties at the time of placing the order with reference to the Charter and Related Fees charged by Independent Third Party freight services providers of comparable services.

Pursuant to the Master Charter Pricing Policy, the Group shall obtain quotation from at least one (or such other number as shall be determined by the majority of the independent non-executive Directors from time to time) Independent Third Party freight services providers and compare it with the terms offered by the relevant Cargo Members for the provision of air freight charter services. The Group will also compare the track record and reputation of such Independent Third Party freight services provider against the relevant Cargo Members' track record and reputation.

We noted that the Group has obtained at least one quotation from independent third party freight services provider. This is attributable to the uniqueness and specificness of the Group's business needs in chartering services and the potential limited availability of the corresponding supply of such charter services at the material time, as the Group may from time to time seek for a specific type of flight carrier which can cater for its needs including but not limited to model, size and maximum loading capacity of aircraft. Given the above prerequisites to fulfill the Group's specific demands and needs at the material time, there may be occasions whereby only one other air freight charter services provider offers the same air freight charter services as offered by the Cargo Members for a particular route at the required timeframe. Under such circumstances, the Group will at least obtain the quotation available in the market as comparison with the terms offered by the relevant Cargo Members. For such exceptional circumstances, the Board is of the view, and we concur, that one quotation is sufficient in determining the Charter and Related Fees as such would be the only available quotation for comparable services in the market at the material time. Under the prerequisites mentioned above, where more than one air freight charter services provider is available for a particular route, the Group will generally obtain quotation from at least two to three Independent Third Party freight services providers for comparison.

The Management advised that the operation department had been and shall continue to be responsible for obtaining relevant third party quotations and members of management of the corporate operation department will be responsible to supervise the process and approve the subject transaction.

In this connection, we have obtained and reviewed a total of eight sample charter transactions including those between the Group and (i) the relevant Cargo Members (the "**Sampled Charter Connected Transaction(s)**") selected on a random sampling basis; and (ii) Independent Third Party freight services providers (the "**Sampled Charter I3P Transaction(s)**"), which was used to compare against the terms of the Sampled Charted Connected Transactions. Given the aforesaid sample transactions were conducted in 2020 selected on a random sampling basis, as the historical charter transactions under Existing Master Charter Agreement was only of a limited amount in 2021, we consider the samples selected to be fair and representative. Based on our work performed, which involved the comparison of the terms, including the Charter and Related Fees of the Sampled Charter Connected Transactions against the Sampled Charter I3P Transactions of a similar nature, we noted that the charter fees under the Sampled Charter Connected Transactions were no less favourable than the Sampled Charter I3P Transactions of a similar nature.

The Management has also confirmed that, to the best of their knowledge, terms for the charter transactions contemplated under the Existing Master Charter Agreement have complied with the pricing policy under the Existing Master Charter Agreement up to the Latest Practicable Date.

Based on our analysis and work performed on the sampled transactions as set out above, we consider the terms of the sampled transactions entered into under the Existing Master Charter Agreement in line with similar transactions entered into by the Group with Independent Third Parties. On this basis, we are of the view that the pricing and terms of the charter service under the Master Charter Agreement are fair and reasonable.

5. Rationale for determining the Proposed Annual Caps in connection with the Master Service Agreement and the Master Charter Agreement

5.1 Information on the Master Service Annual Caps

(a) The existing annual caps and the historical transaction amount

The existing annual caps under the Master Service Agreement for (i) the international express and parcel services and/or air and ocean freight services fees paid by the Group to Yuantong Members for each of the three years ended 31 December 2019, 2020 and 2021 are HK$88.8 million, HK$257.5 million and HK$386.3 million, respectively; and (ii) international express and parcel services and/or air and ocean freight services income to be received by the Group from Yuantong Members for each of the three years ending 31 December 2019, 2020 and 2021 are HK$114.3 million, HK$342.9 million and HK$481.0 million, respectively.

As set out in the Letter from the Board, the historical actual transaction amount for the two years ended 31 December 2019 and 2020, and for the nine months ended 30 September 2021 of (i) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members amounted to approximately HK$41.7 million, HK$50.2 million and HK$185.0 million, respectively; and (ii) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members amounted to approximately HK$5.7 million, HK$11.3 million and HK$135.4 million, respectively.

(b) The Master Service Annual Caps

As set out in the Letter from the Board, the Master Service Annual Caps, comprised of the Service Fees Annual Caps (defined hereafter) and the Service Income Annual Caps (defined hereafter) for the years indicated below are as follows:

		Year ending 31 December		
		2022	**2023**	**2024**
		("FY2022")	**("FY2023")**	**("FY2024")**
		(HK$'million)	*(HK$'million)*	*(HK$'million)*
(i)	In respect of international express and parcel services and air and ocean freight services fees to Yuantong Members (the "**Service Fees Annual Caps**")	69.7 **("2022 Service Fees Annual Cap")**	83.6 **("2023 Service Fees Annual Cap")**	100.3 **("2024 Service Fees Annual Cap")**
(ii)	In respect of international express and parcel services and air and ocean freight services income from Yuantong Members (the "**Service Income Annual Caps**")	366.4 **("2022 Service Income Annual Cap")**	465.6 **("2023 Service Income Annual Cap")**	558.8 **("2024 Service Income Annual Cap")**

Basis of determining the Master Service Annual Caps

We noted from the Letter from the Board that the Master Service Annual Caps were determined by the Directors by reference to a number of factors, which have been summarised below:

(i) the historical actual amount of (a) international express and parcel services and air and/or ocean freight services fees paid by the Group to Yuantong Members; and (b) international express and parcel services and air and/or ocean freight services income received by the Group from Yuantong Members for the two years ended 31 December 2020 and the nine months ended 30 September 2021;

(ii) the expected demand of international express and parcel service and air and ocean freight services by Yuantong Members;

(iii) the expected growth of approximately 27% and 20% in demand of international express and parcel services and air and ocean freight services to be provided to Yuantong Members for the years ending 31 December 2023 and 2024, respectively; and

(iv) the expected growth of approximately 20% in demand of international express and parcel services and air and ocean freight services to be provided to Yuantong Members for the years ending 31 December 2023 and 2024, respectively.

(c) Our analysis on the Service Fees Annual Caps

In assessing the fair and reasonableness of the Service Fees Annual Caps, we have obtained from the Management schedules setting out the breakdown of service fees to Yuantong Members and service income from Yuantong Members by geographical region and services type for the three years ending 31 December 2022, 2023 and 2024 (the "**Service Fees/Income Schedules**"). The Service Fees/Income Schedules sets out information such as, the types of logistic services to be provided to/by members of the Group by/to members of the Yuantong Members.

We noted from the Services Fees/Income Schedules that majority of the Service Fees Annual Caps were attributable to logistics and ancillary services to be provided by Yuantong Members including, among others, (i) express delivery services and related ancillary services in the PRC, which would typically include, where appropriate, express delivery pick up, express delivery transit, sorting, trunk transportation and final delivery; and (ii) air freight services in the PRC, each of the aforesaid services form part of the Group's overall logistics and ancillary services to the Group's customers, in particular, in relation to the Group's operations in the PRC, which may involve cross-border freight services and international express and parcel.

Given the typical time constraint as well as the volume of express delivery parcels the Group have been handling and are expected to handle going forward, a well-established logistics network with a good coverage of the PRC cities is essential to the Group's continued success in the PRC. Based on the interim report of Yuantong for the six months ended 30 June 2021 (the "**Yuantong 2021 Interim Report**"), we noted that the Yuantong Members serves over 30 PRC provinces, autonomous regions and municipalities directly under the PRC government, in addition to its extensive coverage, being over 90% at Prefectural-Level cities of the PRC.

Furthermore, we also noted from the Yuantong 2021 Interim Report that as part of its extensive logistics network, the Yuantong Members had 4,936 franchisees*(公司加盟商), over 34,490 end outlets*(末端網點), over 53,000 terminal stores*(終端門店), to facilitate convenient and effective pick-up and delivery links across the PRC. The Yuantong Members also operate 75 self-operated hub transhipment centres*(自營樞紐轉運中心) in PRC.

The Management also advised that the Yuantong Members manages its delivery operations through its logistics information system, which is considered to be an integral part of Yuantong Members' proven logistics business in the PRC, such system analyses data to determine the appropriate routes, manage the delivery of parcels, monitors and tracks the whereabouts of the subject parcels. According to the Yuantong 2021 Interim Report, the Yuantong Members' business volume was approximately 7.4 billion pieces, representing a period-on-period growth rate of approximately 50.1%, accounted for approximately 15.0% of the national express delivery service business in PRC. On this basis, the Management is of the view it is cost effective for the Group to have the option to leverage of Yuantong Members' existing extensive logistics networks in the PRC, and such would facilitate the Company to further capture additional market share in respect of express delivery services from/to overseas to/from the PRC overtime.

In connection with the 2022 Service Fees Annual Cap of HK$69.7 million, we noted that such represented a significant decrease of approximately 62.3% compared to the service fees paid to Yuantong Members of approximately HK$185.0 million incurred under the existing Master Service Agreement for nine months ended 30 September 2021. The Management advised that such decrease was mainly attributable to the operating strategy of the Group, namely, with a view to further enhance its operational efficiencies, under circumstances whereby relevant charter flight costs are considered to be more economical than air freight costs as a whole, subject to other usual business consideration factors, the Group will opt for charter flights. On this basis, while the 2022 Service Fees Annual Cap has been reduced, the Master Charter Annual Caps have increased correspondingly to reflect the aforesaid operating strategy of the Group.

The 2023 Service Fees Annual Cap of HK$83.6 million and the 2024 Service Fee Annual Cap of HK$100.3 million, which represented a year-on-year increase of approximately 20% compared to the corresponding prior year annual cap. As set out in the 2021 Interim Report and the 2020 Annual Report, the Group recorded cost of sales of approximately HK$1,829.3 million and HK$2,710.1 million for the six months ended 30 June 2020 and 2021, respectively and approximately HK$3,347.0 million and HK$4,275.5 million for the year ended 31 December 2019 and 2020, respectively. Such increase was mainly attributable to the Group's business growth at the relevant time, the increase in cost of sales recorded by the Group compared to the respective prior year period amounted to approximately 48.1% and 27.7%, respectively.

Further to the above, we also noted from the 2021 Interim Report that it is the Group's strategy to expand the scale of its business cooperation between East Asia, European and American markets, which would also drive the demand for logistic and ancillary services for the PRC part of the delivery route. The Management advised that the aforesaid overseas markets shall include, among others, Japan, Malaysia, Singapore and the U.S.. In addition, the Company is expect to invest resources in building infrastructures in selected overseas countries, including but not limited to, the possibility of setting up new subsidiaries or joint ventures, and leverage the Group's subsidiaries to introduce emerging businesses and the Group plans to develop the cross-border e-commerce and small parcels business in Southeast Asia and gradually expand the business from the China-centered development model to the regional internetworking model, thereby developing a larger market and a stronger position.

Having considered the above factors, in particular, (i) the Service Fees/Income Schedules; (ii) it is considered to be cost effective for the Group to have the option to leverage of Yuantong Members' existing extensive logistics networks in the PRC, which in turn, would also facilitate the Company to further capture additional market share in respect of express delivery services from/to overseas to/from the PRC overtime; (iii) the historical growth rate recorded by the Group during the six months ended 30 June 2021 and the year ended 31 December 2020; (iv) the Group's expected continuous expansion into East Asia, European and American markets which would also drive the demand for logistic and ancillary services for the PRC part of the delivery route; and (v) the Group has the right but not the obligation to seek the relevant services from the Yuantong Members at terms to be determined in accordance with its pricing policies under the Master Service Agreement, we considered the Service Fees Annual Caps to be fair and reasonable.

(d) Our analysis on the Service Income Annual Caps

In connection with the Service Income Annual Caps, we noted from the Services Fees/Income Schedules that Service Income Annual Caps were attributable to logistics and ancillary services to be provided to the Yuantong Members such logistics and related services include, among others, air/ocean freight services and international express and parcel services.

The Management advised that in relation to air/ocean freight services to be provided to the Yuantong Members by the Group, such shall include freight services, ancillary and contract logistics services business such as warehousing, distribution and customs clearance; and international express and parcel services to be provided to the Yuantong Members by the Group, such shall mainly consist of cross-border small parcels of delivery business.

In determining the 2022 Service Income Annual Cap, the Management considered, among other things, the existing annual cap for the year ending 31 December 2021 of HK$481.0 million and the expected utilisation thereunder, and reduced the 2022 Service Income Annual Cap to HK$366.4 million.

We noted from the Service Fees/Income Schedules that the Service Income Annual Caps were primarily attributable to international express and parcel services and/or air and ocean freight services to be provided by the Group to Yuantong Members, which shall cover international logistic services route, such as from/to city(ies) in (a) Taiwan and the PRC; (b) South Korea and the PRC; (c) Japan and the PRC; and (d) Malaysia and the PRC.

The growth rate of the Service Income Annual Caps are estimated based on (i) the historical growth of Yuantong Members' logistics business, which was attributable to both its PRC domestic logistics business and its cross-border logistics business with overseas countries, such is evidenced by the following financial information as set out in the annual report of the Yuantong for FY2020 (the "**Yuantong 2020 Annual Report**") *(source: http://file.finance.sina.com.cn/211.154.219.97:9494/MRGG/CNSESHSTOCK/2021/2021-4/2021-04-28/7152812.PDF*, Yuantong recorded revenue of approximately RMB31.2 billion and RMB34.9 billion for the year ended 31 December 2019 and 2020, respectively, representing a year-on-year increase in revenue of approximately 11.9%, of which approximately RMB937.3 million was attributable to international express delivery and parcel services*（國際快遞及包裹服務）, representing a year-on-year increase of approximately 46.8%, such is against the backdrop of a year-on-year increase for international express delivery products of approximately 119.8% being recorded for the year ended 31 December 2019, both of which represent a growth rate significantly higher than the overall increase in revenue of Yuantong, respectively.

For information purposes, the aforesaid increase represented (i) an increase at the three year compound annual growth rate (the "**CAGR**") of revenue generated from international express delivery and parcel services of Yuantong Members between 2018 to 2020 of approximately 109.5%; (ii) the significant growth potentials of Yuantong Members' demand for the relevant international logistics services as set out above being offered by the Group, of which the Services Fee Income Annual Caps are based on, thus making comparisons against the historical transacted amounts of a limited relevancy as the Yuantong Members did not exclusively engage the Group for international logistic services; (iii) the expected continued expansion of Yuantong Members' logistics business and its PRC logistics network, details of which were set out in this letter above; and (iv) the expected demand for international express and parcel services and/or air and ocean freight services from the PRC and overseas market driven by the continued growth in logistics activities from/into the PRC which have been analysed under the paragraph headed under "2. Overview of macro-economy and logistics industry" in this letter above.

Having considered that (i) the year-on-year increase of revenue attributable to international express and parcel services growth rate of Yuantong Members of approximately 46.8% for the year ended 31 December 2020 and a three year CAGR of approximately 109.5% between 2018 to 2020; (ii) the significant growth potentials of Yuantong Members' demand for the relevant international logistics services being offered by the Group, of which the Services Fee Income Annual Caps are based on, thus making comparisons against the historical transacted amounts of a limited relevancy as the Yuantong Members did not exclusively engage the Group for international logistic services; and (iii) in the event that the Services Fee Income Annual Caps are insufficient, the Group will have to downscale and/or cease its services to be provided to Yuantong Members temporarily until a new annual cap is proposed and approved by the then independent Shareholders, where appropriate, which would adversely affect the amount of revenue that can otherwise be derived from the provision of such logistic services, we concur with the Management that the increase in the relevant annual caps for the international express and parcel services and/or air and ocean freight services to be provided to the Yuantong Members represent a growth of approximately 27.1% and 20.0% of for the year ending 31 December 2023 and 2024 and a three year CAGR of approximately 20.0% to be reasonable.

We understand that from the Management that the engagement by Yuantong Members to provide international express and parcel services, are a furtherance of the Group's existing logistics business, which covered the PRC, Europe, Northern America and other Asian regions. We noted from the 2020 Annual Report that, revenue from external customers from the PRC, Europe, Northern America and other Asian regions amounted to approximately HK$3,645.1 million, HK$404.0 million, HK$373.2 million and HK$625.9 million for FY2020, respectively. For illustration purposes, the 2022 Service Income Annual Cap, 2023 Service Income Annual Cap and 2024 Service Income Annual Cap of approximately HK$366.4 million, HK$465.6 million and HK$558.8 million only represent approximately 7.3%, 9.2% and 11.1% (together the "**Service Income Annual Cap Ratios**") of the aggregate revenue from external customers of the aforesaid regions which totalled to approximately HK$5,048.1 million for FY2020, respectively.

It is also noted from the 2021 Interim Report that the aggregate revenue from external customers totalled to approximately HK$2,201.3 million and HK$3,038.3 million for 1H2020 and 1H2021, respectively. Based on the above, the growth rate from (i) FY2019 to FY2020; and (ii) 1H2020 to 1H2021 was approximately 29.5% and 38.0%, respectively. On this basis, if the aggregate revenue from external customers of the aforesaid regions would continue to increase at a similar growth rate, the ratios calculated in the preceding paragraph will be reduced.

Furthermore, we noted from the 2020 Annual Report, the Group had 44 offices around the world as at 31 December 2020, out of which 40 offices were located in 11 Asian countries and territories, comprising Hong Kong, the PRC, Cambodia, India, Indonesia, Japan, Malaysia, Singapore, Thailand, the United Arab Emirates and Vietnam, one office in Europe and three offices in America. The Company intends to capitalise on opportunities in relation to, among others, the Regional Comprehensive Economic Partnership, being a free trade agreement among the 15 Asia-Pacific countries entered into in November 2020, and begin to invest resources in building infrastructures in key countries, and leverage subsidiaries to introduce emerging businesses. It plans to develop the cross-border e-commerce and small parcels business in Southeast Asia and gradually expand the business from the China-centred development model to the regional internetworking model, thereby developing a larger market.

For the freight forwarding business, the Company will expand the scale of business cooperation between East Asia, European and American markets by leveraging advantages developed in the Asian market over the years, cooperating with its partners in North America and Europe and further capitalise on the opportunities arising from East Asia's continued development. On this basis, the Management considered that the Group is well positioned to further develop its operations in the aforesaid locations and increase the Group's market share, in particular, in the Asia Pacific regions (outside the PRC) as well as in the U.S. and European markets over time by seizing the demand for air and ocean freight services, and international express and parcel services from both existing and new customers.

Having considered factors including (i) the information as set out in the Service Fees/Income Schedules provided by the Management and our analysis above; (ii) our analysis on the Services Fees/Income Schedules; (iii) the Service Income Annual Cap Ratios were approximately 7.3%, 9.2% and 11.1% of the aggregate revenue from the Group's external customers for FY2020; (iv) based on the 2020 Annual Report and 2021 Interim Report, the aggregate revenue from the Group's external customers based in the relevant regions have been increasing from FY2019 to FY2020 and from 1H2020 to 1H2021; (v) the Continuing Connected Transactions are a furtherance of the Group's principal businesses and the Group has already established itself at the respective countries/locations; (vi) given the volume and amount of these transactions are primarily demand driven by the market and may fluctuate notably from year to year and the respective annual caps, if approved, would facilitate the Continuing Connected Transactions for the years ending 31 December 2022, 2023 and 2024 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; (vii) the Management is of the view that by providing air/ocean freight services and international express and parcel services to the Yuantong Members, the Group can better utilise its capacity, increase its revenue and improve its economies of scale; and (viii) the Group has the right but not the obligation to provide the relevant services to the Yuantong Members at terms determined in accordance with its pricing policies under the Master Service Agreement, we are of the view that the Service Income Annual Caps to be fair and reasonable.

5.2 Information on the Master Charter Annual Caps

(a) The existing annual caps and the historical transaction amount

As set out in the Letter from the Board, the historical actual transaction amount between the Group and YTO Cargo for the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes for each of the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 amounted to nil, approximately HK$26.9 million and HK$0.3 million, respectively.

(b) The Master Charter Annual Caps

As set out in the Letter from the Board, the Directors estimated that the annual amount of Charter and Related Fees, the Cargo Terminal Expenses (which may be payable by the relevant Cargo Members to the relevant cargo terminal on behalf of the Group) and handling fees in respect of the Cargo Terminal Expenses to be paid and/or reimbursed by the Group to the relevant Cargo Members will not exceed HK$839.6 million, HK$1,297.7 million and HK$1,995.4 million for each of the three years ending 31 December 2022, 2023 and 2024, respectively.

Basis of determining the Master Charter Annual Caps

The Master Charter Annual Caps were determined by the Directors with reference to:

(i) the historical actual amount of Charter and Related Fees, the Cargo Terminal Expenses and handling fees in respect of the Cargo Terminal Expenses paid and/or reimbursed by the Group to YTO Cargo for the two years ended 31 December 2020 and the nine months ended 30 September 2021; and

(ii) the expected growth of approximately 55% and 54% in demand of air freight chartering services to and from countries and regions around the world by the Group (calculated based on the expected increase in number of flights required by the Group) for the years ending 31 December 2023 and 2024.

Our analysis on the Master Charter Annual Caps

In assessing the fairness and reasonableness Master Chart Annual Caps, we have obtained from the Management a schedule (the "**Charter Schedule**") setting out the breakdown of the Master Charter Annual Caps by, among others, the number of charter flights for the respective routes as well as the relevant estimated cost per charter flight, details of which are set out below:

Route	Number of round trips (FY2022/FY2023/FY2024)	For the year ending 31 December 2022	2023	2024
		HK$'million	*HK$'million*	*HK$'million*
PRC – Southeast Asia region	524/588/705	315.9	375.1	450.2
PRC – East Asia region	547/657/788	229.6	275.5	330.6
PRC – Europe & North America regions	120/264/437	294.1	647.1	1,214.6
Master Charter Annual Caps		**839.6 ("2022 Master Charter Annual Cap")**	**1,297.7 ("2023 Master Charter Annual Cap")**	**1,995.4 ("2024 Master Charter Annual Cap")**

Based on the Charter Schedule, we noted that the Master Charter Annual Caps are primarily related to chartering of flights between (i) the PRC; and (ii) various Asian countries, including Japan, South Korea, Malaysia, Singapore, as well as Eastern Europe region and West Coast of the U.S.. We also noted from the Management that the maximum payload per each round trip may range from approximately 12,000 kg to 50,000 kg, subject to the type of chartered aircraft, which is also considered in the Charter Schedule.

Based on the Charter Schedule, the increase in the 2022 Master Charter Annual Cap, 2023 Master Charter Annual Cap and 2024 Master Charter Annual Cap were mainly attributable to (i) the planned expansion to the Group's overseas business, as the Group shall continue to be the international platform of Yuantong Members under its global development strategy, which targets to further expand its international integrated express delivery services, by, among others, developing its air freight charter services through the establishment of new air chartering routes between the PRC and Europe and the U.S. during the three years ending 31 December 2022, 2023 and 2024; and (ii) the continuous growth of the Group's existing routes between the PRC and (a) the Southeast Asia region; and (b) the East Asia region.

Based on our review of the 2021 Interim Report, we noted that the stated strategy of the Group included the expansion of the scale of business cooperation between East Asia, European and American markets by leveraging advantages developed in the Asian market over the years, cooperating with partners of North America and Europe and exploiting the opportunities arising from East Asia's prosperity. We understand from the Management that to facilitate the effective implementation of the Group's above stated strategy, the expansion of the air freight chartering services into the subject Asian, European and American regions are an integral part of the Group's existing expansion plan.

In this connection, we conducted further research into the PRC's major export markets. Based on the statistics published by the World Bank (*source: wits.worldbank.org/CountrySnapshot/en/CHN*), we noted that the PRC's five largest export markets for 2019 were the United States of America (approximately 16.8%), Hong Kong (approximately 11.2%), Japan (approximately 5.7%), South Korea (approximately 4.4%) and Vietnam (approximately 3.9%). The aforesaid export markets accounted for, in aggregate, 42.0% of the PRC's total export for 2019, which in terms of value, amounted to approximately US$1,050.4 billion (equivalent to approximately HK$8,172.1 billion). According to the Charter Schedule, the relevant air freight charter routes shall cover routes between the PRC and three of the five abovementioned locations/countries. Furthermore, we also noted from a publication by IATA dated 3 February 2021 (*source: www.iata.org/en/pressroom/pr/2021-02-03-01/*) that the Asia Pacific region, the European region and the North American region accounted for approximately 32.8%, 22.2% and 27.4% of the world's air cargo market share in terms of CTK, In this connection, we concur with the Management that there should be notable growth potentials of the Group's international integrated express delivery services into these geographies.

As set out in the 2021 Interim Report and the 2020 Annual Report, the Group recorded cost of sales of approximately HK$2,710.1 million for the six months ended 30 June 2021 and approximately HK$4,275.5 million for the year ended 31 December 2020. On the back of the business growth experienced by the Group, the increase in cost of sales recorded by the Group compared to the respective prior year period amounted to approximately 48.1% and 27.7%, respectively. We also understand from our discussion with the Management that the major cost of sales components of the Group in the past included air freight charges, and that given the current operating strategy of the Group which targets to further enhance its operational efficiencies, under circumstances whereby relevant charter flight costs are considered to be more economical than air freight costs as a whole, subject to other usual business consideration factors, the Group will opt for charter flights. On this basis, while the 2022 Master Charter Annual Cap has been increased, the 2022 Service Fees Annual Cap has reduced correspondingly to reflect the aforesaid operating strategy of the Group.

Having considered the above factors, in particular, (i) the Charter Schedule which sets out the estimated number of charter flights for each planned route between the PRC and the respective Asian, European and North American regions; (ii) such expansion of the air freight chartering services shall facilitate the stated strategy of the Group to expand the scale of business cooperation between East Asia, European and American markets; (iii) the Asia Pacific region, the European region and the North American region together accounted for more than 80% of the world's air cargo market share in terms of CTK, hence there should be notable growth potentials for the Group; (iv) under the current operating strategy of the Group, the Group will opt for charter flights instead of air freight services under circumstances where such is considered to be more economical; and (v) the continued business growth experienced by the Group, we considered the Master Charter Annual Caps to be fair and reasonable.

RECOMMENDATION

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

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

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

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

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

(A) Long position in ordinary shares of the Company

Name of Director	Capacity/nature of interest	Number of Share(s) involved	Approximate percentage* of shareholding
Mr. Yu Huijiao	Interest of controlled corporations *(Note 1)*	268,229,408	63.84%
Mr. Huang Yifeng	Beneficial owner *(Note 2)*	3,717,600	0.88%
Mr. Li Xianjun	Beneficial owner *(Note 3)*	3,334,100	0.79%
Mr. Sun Jian	Beneficial owner *(Note 3)*	4,017,600	0.96%
Mr. Chen Dong	Beneficial owner *(Note 3)*	1,600,000	0.38%

Notes:

1. These Shares are held by YTO Global Holdings Limited, a company wholly owned by Yuan Jun. Yuan Jun is a company wholly owned by Yuantong, which is in turn owned as to 34.52% by 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 held by YTO Global Holdings Limited.

2. (i) 700,000 Shares are held by Mr. Huang Yifeng; and (ii) 3,017,600 Shares represents the interests in award shares granted by the Company under its share award plan on 10 June 2021 and remain unvested.

3. These Shares represents the interests in award shares granted by the Company under its share award plan on 10 June 2021 and remain unvested.

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

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of share(s) involved/amount of registered capital	Approximate percentage* of shareholding
Mr. Yu Huijiao *(Note)*	Yuantong	Interest of controlled corporations	1,090,806,213	34.52%
		Beneficial owner	100,673,929	3.19%
		Interest of spouse	74,027,054	2.34%
	Yuan Jun	Interest of controlled corporations	RMB1,800,000,000	100.00%
	YTO Global Holdings Limited	Interest of controlled corporations	1,600,000,000	100.00%

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

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

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

(b) Disclosure of interests of substantial Shareholders

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

Long position in ordinary shares of the Company:

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

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

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

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

(c) Directors' service contracts

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

(d) Interest in contracts and arrangements of significance

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

(e) Interest in competing business

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

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

Size of the Competing Business	Yuantong is a company listed on the Shanghai Stock Exchange (stock code: 600233), with market capitalization amounted to RMB52.2 billion as at the Latest Practicable Date
Management of the Competing Business	The positions held by the Directors in Yuantong are as follows: Mr. Yu Huijiao, *chairman of the board of Yuantong and chairman of the board and general manager of Yuantong Jiaolong* Mr. Li Xianjun, *vice president* Mr. Chen Dong, *senior director* Mr. Pan Shuimiao, *director and president*

As at the Latest Practicable Date, since Yuantong Members' main focus was warehousing and distribution of goods through express and courier service in the PRC and apart from intra-group freight forwarding services among Yuantong Members, Yuantong Members did not carry out any freight forwarding services to and/or business with external parties, the Directors considered that the operations of Yuantong Members did not affect the Group's business.

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

(f) Interest in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. EXPERT

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

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

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

As at the Latest Practicable Date, the expert as set out above did not have any beneficial interest in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any direct or indirect interest in any asset which has since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse changes in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. MISCELLANEOUS

(a) All references to dates in this circular refer to Hong Kong dates.

(b) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

6. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for display on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ytoglobal.com) during the period of 14 days from the date of this circular (both days inclusive):

(a) the Existing Master Service Agreement;

(b) the Existing Master Charter Agreement;

(c) the Master Service Agreement; and

(d) the Master Charter Agreement.

YTO EXPRESS (INTERNATIONAL) HOLDINGS LIMITED
圓通速遞（國際）控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 6123)

NOTICE OF THE EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of YTO Express (International) Holdings Limited ("**Company**") will be held at Suite 2208, 22nd Floor, Office Tower, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Thursday, 30 December 2021 at 3:00 p.m. for the purposes of considering and, if thought appropriate, approving the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the master service agreement (the "**Master Service Agreement**") entered into between the Company and 圓通速遞股份有限公司 (YTO Express Group Co., Ltd.*) on 5 November 2021 in relation to the provision of international express and parcel services and/or air and ocean freight services, and the transactions contemplated thereunder (including the proposed annual caps for each of the years ending 31 December 2022, 2023 and 2024) be and are hereby approved, and the entering into the Master Service Agreement by a director of the Company (the "**Director**") for and on behalf of the Company be and is hereby approved, confirmed and ratified; and

(b) any Director or any other person authorised by the Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he may in his absolute discretion consider necessary or desirable for or in connection with the implementation of the Master Service Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Master Service Agreement which is in his opinion not of a material nature and to effect or implement any other matters referred to in this resolution."

2. "**THAT**

(a) the master charter agreement (the "**Master Charter Agreement**") entered into between the Company (for itself and on behalf of its subsidiaries, together with the Company, the "**Group**"), 杭州圓通貨運航空有限公司 (YTO Cargo Airlines Co., Ltd.*) and 上海圓通國際貨物運輸代理有限公司 (Shanghai Yuantong International Cargo Freight Agent Co., Ltd.*) on 5 November 2021 in relation to the provision of air freight chartering services to the Group to and from countries and regions around the world for the transportation of air cargoes, and the transactions contemplated thereunder (including the proposed annual caps for each of the years ending 31 December 2022, 2023 and 2024) be and are hereby approved, and the entering into the Master Charter Agreement by a Director for and on behalf of the Company be and is hereby approved, confirmed and ratified; and

(b) any Director or any other person authorised by the Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he may in his absolute discretion consider necessary or desirable for or in connection with the implementation of the Master Charter Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Master Charter Agreement which is in his opinion not of a material nature and to effect or implement any other matters referred to in this resolution."

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, 8 December 2021

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 3:00 p.m. on Tuesday, 28 December 2021) or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.

3. In the case of joint holders of a share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share of the Company as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share of the Company shall alone be entitled to vote in respect thereof.

4. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 24 December 2021 to Thursday, 30 December 2021 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the EGM, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at its address shown in Note 2 above for registration no later than 4:30 p.m. on Thursday, 23 December 2021.

5. References to time and dates in this notice are to Hong Kong time and dates.

6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

PRECAUTIONARY MEASURES AT THE EXTRAORDINARY GENERAL MEETING

In view of the recent developments of the coronavirus (COVID-19) pandemic, and taking into consideration of the guidelines issued by the Government of Hong Kong, the Company will implement the following preventive measures at the EGM to protect attending shareholders from the risk of infection:

– compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue;
– every shareholder or proxy is required to wear surgical face mask throughout the meeting;
– no refreshment will be served; and
– no souvenir will be distributed.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue.

The Company wishes to remind all shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.