ANE (Cayman) Inc.

安 能 物 流 集 團 有 限 公 司

(A company incorporated in the Cayman Islands with limited liability)

(Stock code: 9956)

(1) ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND (2) SUPPLEMENTAL INFORMATION AND CLARIFICATION IN RELATION TO THE 2022 ANNUAL REPORT

The board (the "**Board**") of directors (the "**Director(s)**") of ANE (Cayman) Inc. (the "**Company**" or "**ANE**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**", "**our**" or "**us**") for the six months ended June 30, 2023 (the "**Reporting Period**"), together with comparative figures for the same period of 2022. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated October 30, 2021 (the "**Prospectus**").

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2023, the Group recorded the following unaudited results:

	Six months ended June 30 2023 *RMB'000* (Unaudited)	Six months ended June 30 2022 *RMB'000* (Unaudited)	Period-to-period change
Revenue	4,550,157	4,139,175	9.9%
Gross profit	552,282	274,027	101.5%
Operating profit/(loss)	287,706	(137,644)	N/A
Adjusted pre-tax profit/(loss)	**313,911**	(126,554)	N/A
Adjusted net profit/(loss)	**235,770**	(104,872)	N/A
Profit/(loss) for the Reporting Period	169,327	(175,677)	N/A
Adjusted EBITDA	886,705	468,446	89.3%
Net cash flows from operating activities	784,314	657,890	19.2%

Mr. Chen Weihao and Mr. Qin Xinghua, Co-chairmen of ANE commented, "As China stepped out of the COVID-19 pandemics at the beginning of 2023, our logistics market gradually recovered to the norm. We are pleased to report some interim progress with our strategic transformation. Focusing on the quality of our growth, we improved our service quality and enhanced our operational efficiency to provide our customers with products with the optimized mix of price and quality. In terms of freight volume growth, we strategically focused on the high margin mini freight segment in which we delivered a 17.5% year-on-year growth. Meanwhile, we cut certain lower margin or negative margin volume in the bulk freight segment. We continued our effort in building and upgrading a highly incentivized, young and professional management team. We further strengthened our result-driven managerial system with an emphasis on incentivizing high-performers who contribute most to our success. We also continued to implement digital transformation to empower our freight partner and optimise our management capability. As a result of above initiatives, in the first half of 2023, we recorded 9.9% revenue growth and delivered adjusted pre-tax profit of RMB314 million and adjusted net profit of RMB236 million, bringing the business back on the normal track. Going forward, we strongly believe our industry leadership position will be strengthened with our consistent pursuit of service quality and efficiency and our endeavour to expand product offerings to meet the growing and changing demand of the LTL market. As with the strategic transformation, the virtuous cycle empowered by our scale, profitability and service quality can be self-reinforcing, creating enduring value for our customers, employees and shareholders."

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

We operate a leading express freight network in China's less-than-truckload ("**LTL**") market. Express freight network operators, like us, are LTL service providers who have nationwide coverage, and deliver timely and comprehensive freight transportation services. In the first half of 2023, we have completed shipment of a total LTL freight volume of 5.3 million tons, compared to 5.4 million tons for the same period in 2022.

We mainly provide transportation services, value-added services and dispatch services to our freight partners, our direct customers. We, together with our freight partners and agents, served over 5.0 million shippers, our end-customers, across China as of June 30, 2023, compared to over 4.3 million as of June 30, 2022.

Our investment in self-operated fleets helps us achieve self-operation of essentially all two-way route line-haul transportation. In order to fully utilize the backhaul capacity of self-operated fleets deployed for one-way route, we also provide full-truckload ("**FTL**") services, which fulfils the freight demand of shippers by engaging truck vehicle as the unit of transportation for direct point-to-point service.

Our Market and Industry

With the accelerated digitalisation of commerce and trade in China, the full spectrum of the supply chain, from manufacturers to distributors, merchants and retailers, requires fast and high frequency inventory turnover. This could only be achieved through efficient and comprehensive freight transportation solutions to bring merchandise to warehouses and stores closer to end consumers. This in turn generates significant demand for timely, comprehensive and reliable LTL services with nationwide coverage. We are well-positioned for this opportunity by leveraging our nationwide network with comprehensive and diverse product offerings tailored to different shipper preferences. For instance, we offer time-definite products to address e-commerce merchants' increasing focus on timeliness, guaranteed safety product for medicine distributors in the transportation of fragile and valuable goods, and economy freight to meet auto parts suppliers' demand for cost-effectiveness transporting parts to auto manufacturers.

Historically, China's LTL market was highly fragmented and inefficient with a large number of regional direct line and freight operators providing local logistics services in their respective areas. Such freight operators struggle to capture the opportunities and meet the challenges brought by B2C (business-to-consumer) e-commerce growth and evolution in supply chains that have ensued. We have created the freight partner platform model to draw such local operators to our platform as freight partners and agents, empowering them and our entire network to serve as the infrastructure for China's new commerce landscape.

Our Freight Partner Platform

Under our freight partner platform model, we directly operate and control all mission-critical sorting and line-haul processes while our freight partners and agents are responsible for investing and operating the outlets at their own costs and providing feeder service, pickup and dispatch services. We enable and empower tens of thousands of local freight operators to connect with more shippers and to provide digitalised, nationwide, reliable, timely, efficient and comprehensive LTL services to shippers. We deliver unique values to freight partners, agents and shippers. We will continuously invest in sorting centres and line-haul transportation as the freight volume increases to optimise operational efficiency while improving our service quality.

We are dedicated to creating more value to our freight partners and agents while benefiting from their growth. As a result, we believe we are best positioned to further increase our market share in this broad yet fragmented market. As of June 30, 2023, we had over 28,000 freight partners and agents, enabling us to better serve shippers while expanding nationwide coverage. We continue to enjoy strong relationship with our top freight partners. The retention rate of our top freight partners[1], which refers to the ratio of the number of top freight partners that remains as our freight partners in a given period, over the total number of top freight partners in the previous period was 95.7% and 98.2% in 2022 and the first half of 2023, respectively.

Our Service Quality

We mainly provide transportation services, value-added services and dispatch services to our freight partners and agents, our direct customers. As of June 30, 2023, we, together with our freight partners and agents, served approximately 5.0 million shippers, our end-customers, across the entire commerce landscape in China.

With the implementation of our quality growth strategy, we continuously upgrade our service to better fulfill the demand of our end customers. As of timeliness, we reduced our average shipment time by 10.1% from the first half of 2022 to the same period of 2023. The timely fulfillment rate (number of shipments completed within guaranteed duration per total number of completed shipments) increased from 60.6% in the first half of 2022 to 72.1% in the same period of 2023, indicating the enhancement of steadiness of our service timeliness. Further, we reiterated the importance of our service quality. As a result, our loss rate (number of lost units per hundred thousand units) decreased by 30.1%, from 1.2 in the first half of 2022 to 0.8 in the same period of 2023. And our damage rate (number of damaged units per hundred thousand units) decreased by 28.6%, from 50.4 in the first half of 2022 to 36.0 in the same period of 2023. Besides, better service also leads to lower complaint rate (number of complaints per hundred thousand shipments), which decreased by 58.0% from 1,268 in the first half of 2022 to 532 in the same period of 2023.

1 The "top freight partners" are defined as the largest freight partners contributing 50% of our total revenue from freight partners in a given period.

Our Network and Infrastructure

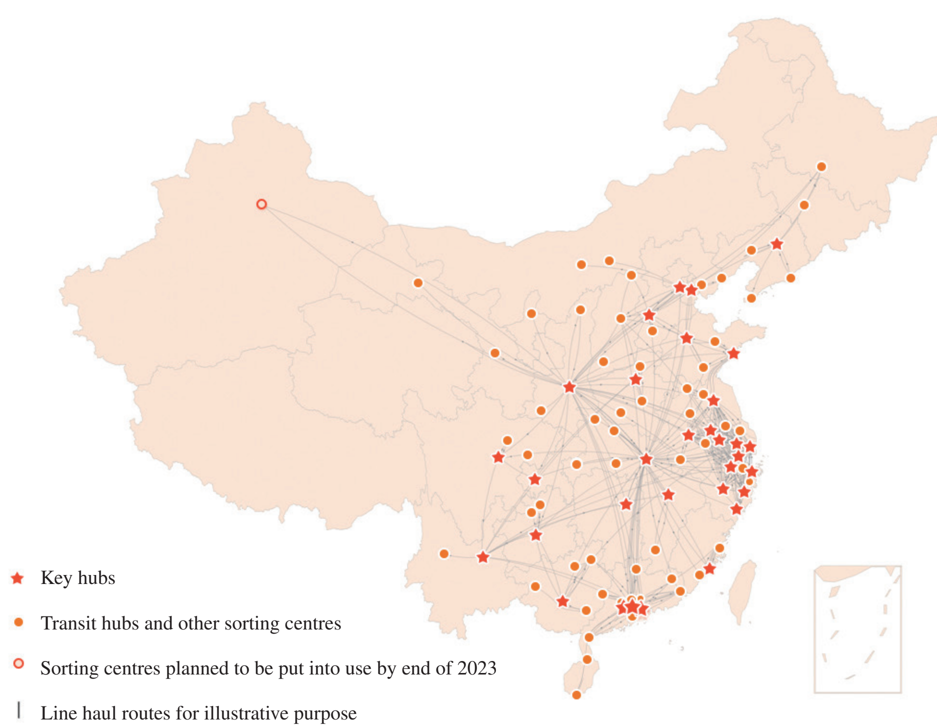
We continuously improve our operational efficiency through managing, optimizing and investing in our critical infrastructure, mainly comprising our sorting centres and line haul transportation.

Sorting Centres

As of June 30, 2023, we had 94 self-operated sorting centres across China, allowing us, together with our network outlets, to cover approximately 96.7% of the counties and townships in China. We directly operate our sorting centres mostly on leased premises. Our sorting centres are connected by the line-haul transportation network that we operate. The consolidation sorting centres receive and sort the freight and dispatch them to the destination sorting centres, which deconsolidate the freight and assign the freight to dispatching freight partners and agents.

In order to optimize our line-haul routing and sorting costs, we further optimized our sorting centre network. We have taken measures such as: (1) extending our direct line-haul route to by-pass small consolidation sorting centres while transporting freight from our key sorting centres/hubs to our freight partners (or vice versa); (2) optimizing labour force allocation to improve sorting efficiency and reduce labour cost; and (3) precisely planning sorting areas to enhance infield movement efficiency. Such measures allow us to reduce the number of self-operated sorting centres, enhancing our operational efficiency while maintaining our national footprint and coverage.

The following map illustrates our nationwide sorting centre network as of June 30, 2023:



Based on the functions, operating freight volume and line-haul connectivity, our sorting centres include key transit hubs, transit hubs and other sorting centres. Out of our 94 sorting centres as of June 30, 2023, we had 34 key transit hubs with full coverage of China and 22 transit hubs, which are primarily responsible for interprovincial transfer of freight. The following table sets forth details of our sorting centres as of June 30, 2023:

	Number	Average Area (m^2)	Average daily handling volume in the six months ended June 30, 2023 (tons)	Functionality
Key hubs	34	36,295	3,813	Nationwide full connectivity
Transit hubs	22	18,828	1,539	Inter-provincial connectivity
Other sorting centres	38	4,603	290	Regional connectivity

Our key transit hubs are located in key commercial centres in China such as Shanghai, Hangzhou, Guangzhou, Shenzhen, Chengdu, Suzhou, etc. Compared with June 30, 2022, we improved our network layout by leveraging key hubs while closing down certain less efficient sorting centres, primarily small ones for consolidation purposes, which enables us to reduce transit ratios and improve service quality. On average, our key transit hub handled a freight volume of approximately 17.0 million tons in the first half of 2023. Our transit hubs are normally adjacent to highways and is each directly connected to about 19 provinces on average as of June 30, 2023.

Line-Haul Network

We directly manage all the line-haul transportation in our network. Our sorting centres are connected with approximately 2,005 well-planned line-haul routes as of June 30, 2023, among which approximately 90.5% are two-way routes.

As of June 30, 2023, our self-operated fleets consisted of over 3,900 high-capacity line-haul trucks and approximately 6,300 trailers, as compared to approximately 4,000 high-capacity line-haul trucks and over 6,200 trailers as of December 31, 2022. All of our self-operated fleets are operated by our over 4,300 contracted drivers as of June 30, 2023.

Network Outlets

As of June 30, 2023, all of the network outlets are owned and operated by approximately 28,000 freight partners and freight agents across China, covering approximately 96.7% of counties and townships in China.

Our Technology

Technology is at the core of our operations. It is critical to our platform, network and service offerings. We have digitalised every process of our operations through self-developed IT systems to achieve real-time data tracking, smart outlet management, route planning, sorting management and automated customer service to shippers, which in turn contributes to our superior network capabilities.

II. FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this announcement.

Our results of operations are affected by the total freight volume. The following table sets forth our total freight volume and unit economics of our key operating and financial metrics for the periods indicated:

	For the six months ended June 30,		Period-to-period change
	2023 (Unaudited)	2022 (Unaudited)	
Total LTL freight volume[Note] (000 tons)	**5,330**	5,390	-1.1%
Total LTL shipments (000)	**56,522**	49,316	14.6%
Freight weight per LTL shipment (kg)	**94**	109	-13.8%
Unit price for LTL transportation services (RMB/ton)	**475**	448	6.0%
Unit price for LTL value-added services (RMB/ton)	**151**	135	11.9%
Unit price for LTL dispatch services (RMB/ton)	**221**	183	20.8%
Unit price for total LTL services (RMB/ton)	**847**	766	10.6%
Unit price for total services (RMB/ton)	**854**	755	13.1%
Unit line-haul transportation cost (RMB/ton)	**327**	326	0.3%
Unit sorting centre cost (RMB/ton)	**188**	188	0.0%
Unit cost of value-added services (RMB/ton)	**33**	29	13.8%
Unit cost of dispatch services (RMB/ton)	**202**	162	24.7%
Unit cost of revenues (RMB/ton)	**750**	705	6.4%
Unit gross profit for value-added services (RMB/ton)	**118**	106	11.3%
Unit gross profit for dispatch services (RMB/ton)	**19**	21	-9.5%
Unit gross profit (RMB/ton)	**104**	50	108.0%
Unit operating profit/(loss) (RMB/ton)	**54**	(25)	N/A
Unit adjusted pre-tax profit/(loss) (RMB/ton)	**59**	(23)	N/A
Unit adjusted EBITDA (RMB/ton)	**166**	85	95.3%

Note: The "freight volume", means the amount of freight by volumetric weight. As LTL and FTL has different pricing and settlement model, freight volume is mainly used to illustrate LTL business.

In the first half of 2023, we have completed shipment of a total LTL freight volume of 5.3 million tons, compared to 5.4 million tons in the first half of 2022. Our total number of shipments increased 14.6% to 56.5 million, compared with 49.3 million in 2022. In terms of freight weight mix structure, the freight volume of mini freight (≤70 kg)[2] and light freight (70 – 500 kg)[3], increased by 17.5% and 5.8%, respectively. The freight volume of bulk freight (>500 kg)[4] decreased by 17.4%, which more than offset the increase in mini freight and light freight and led to the slight year-on-year decrease of LTL freight volume. The growth of our mini and light freight segments lead to 14.6% growth of our total number of shipments, while the average freight weight per LTL shipment decreased from 109 kg in the first half of 2022 to 94 kg in the first half of 2023. The above trend reflects our strategy to optimize our freight weight mix structure, as lighter freight has higher unit price and higher margins and requires higher quality and more value-added services. With our focus on profitability and service quality, complemented by our upgraded more precise cost-based pricing scheme, we were able to gradually replace low and negative margin segment with better quality and higher margin business and pursue sustainable growth of such business.

Revenue

During the Reporting Period, we derived our revenues from transportation services, value added services and dispatch services. The following table sets forth a breakdown of our revenue for the periods indicated:

LTL business	**For the six months ended June 30,**			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Transportation	**2,531,404**	**56.1**	2,413,264	58.5
Value-added services	**805,547**	**17.8**	729,223	17.7
Dispatch services	**1,179,875**	**26.1**	985,038	23.8
Total revenues	**4,516,826**	**100.0**	4,127,525	100.0

FTL business	**For the six months ended June 30,**			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Transportation	**33,331**	**100.0**	11,650	100.0
Total revenues	**33,331**	**100.0**	11,650	100.0

2 Freight that weights less than or equal to 70 kg.

3 Freight that weights more than 70 kg and less than or equal to 500 kg.

4 Freight that weights more than 500 kg.

LTL and FTL Business	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Transportation	**2,564,735**	**56.4**	2,424,914	58.6
Value-added services	**805,547**	**17.7**	729,223	17.6
Dispatch services	**1,179,875**	**25.9**	985,038	23.8
Total revenues	**4,550,157**	**100.0**	4,139,175	100.0

The price level of our transportation services is determined by various factors, including the volumetric weight of the freight, transportation distance, product types, market conditions and competition. We are optimizing our dynamic pricing system which periodically evaluates and adjusts our pricing levels, allowing us to optimize our capacity management and operational efficiency. We primarily rely on freight partners and agents to fulfill dispatch services, while undertaking dispatch services by ourselves in certain circumstances.

Our total revenue increased by 9.9% from RMB4,139.2 million for the six months ended June 30, 2022 to RMB4,550.2 million for the six months ended June 30, 2023, primarily driven by the increase in our unit price for LTL service from RMB766/ton for the six months ended June 30, 2022 to RMB847/ton for the six months ended June 30, 2023, which offset the decrease in our LTL freight volume from 5.4 million tons for the six months ended June 30, 2022 to 5.3 million tons for the six months ended June 30, 2023.

The increase in our unit price for LTL transportation was mainly due to (i) the growth of mini freight and light freight that has higher unit transportation prices, and (ii) the implementation of a new cost-based price scheme which provides us with a better tool to adjust and monitor our price and margin.

The increase in our transportation revenues was mainly driven by the increase in our unit price for transportation services from RMB448/ton for the six months ended June 30, 2022 to RMB475/ton for the six months ended June 30, 2023.

The increase in our value-added services revenues was mainly attributable to the increase of unit price of value-added services from RMB135/ton for the six months ended June 30, 2022 to RMB151/ton for the six months ended June 30, 2023, due to the growth of mini freight and light freight that require more value-added service and higher value-added services fee on weight unit basis (i.e. from a per ton perspective).

The increase in our dispatch services revenues was mainly due to the increase of our unit price of dispatch services. The unit dispatch services revenue increased from RMB183/ton for the six months ended June 30, 2022 to RMB221/ton for the six months ended June 30, 2023, due to (i) the enhancement of our dispatch service quality that required higher pricing (ii) the increase of mini freight and light freight that has increased our number of shipments thus increase the number of dispatchments.

We launched FTL business in May 2022. In the long run, we will keep strategic focus on LTL business and the FTL business will remain as a supplement of LTL business to better utilize our fleet.

Cost of revenues

Our cost of revenues primarily consists of costs for (i) line-haul transportation, (ii) sorting centre, (iii) value-added services, and (iv) dispatch services. The following table sets forth a breakdown of our cost of revenues and as a percentage of our total cost of revenues for the periods indicated:

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Line-haul transportation	**1,739,312**	**43.5**	1,788,343	46.3
Sorting centre	**1,003,950**	**25.1**	1,029,154	26.6
Value-added services	**176,702**	**4.4**	158,693	4.1
Dispatch services	**1,077,911**	**27.0**	888,958	23.0
Total	**3,997,875**	**100.0**	3,865,148	100.0

Our cost of revenues increased by 3.4% from RMB3,865.1 million for the six months ended June 30, 2022 to RMB3,997.9 million for the six months ended June 30, 2023, which was mainly due to (i) the increase in our value-added services cost from RMB158.7 million for the six months ended June 30, 2022 to RMB176.7 million for the six months ended June 30, 2023, and (ii) the increase in our dispatch services cost from RMB889.0 million for the six months ended June 30, 2022 to RMB1,077.9 million for the six months ended June 30, 2023, which are in line with the revenue growth of value-added services and dispatch services, respectively.

Line-haul transportation cost primarily includes (i) service costs for third-party fleet operators and (ii) operating costs incurred by our self-operated fleets such as truck fuel costs, road tolls, driver compensation and depreciation costs. The following table sets forth a breakdown of our line-haul transportation cost for the periods indicated:

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Services costs for third-party fleets	**189,540**	**10.9**	174,841	9.8
Operating costs incurred by self-operated fleets:	**1,549,772**	**89.1**	1,613,502	90.2
Toll costs	**490,286**	**28.2**	505,191	28.2
Fuel costs	**429,696**	**24.7**	490,393	27.4
Driver compensation	**323,407**	**18.6**	326,287	18.2
Depreciation	**184,209**	**10.6**	169,017	9.5
Others	**122,174**	**7.0**	122,614	6.9
Total line-haul transportation costs	**1,739,312**	**100.0**	1,788,343	100.0

Our line-haul transportation costs decreased from RMB1,788.3 million for the six months ended June 30, 2022 to RMB1,739.3 million for the six months ended June 30, 2023, which is mainly attributed to: (i) the decrease of fuel cost driven by the decreasing oil price and our procurement optimization; and (ii) operational efficiency improvement due to more straight line-haul routing, benefiting from the removal of lock-down policies and more precise line-haul planning.

The line-haul transportation unit cost remained relatively stable from RMB326/ton for the six months ended June 30, 2022 to RMB327/ton for the six months ended June 30, 2023. This is due to higher fleet efficiency and gains from route planning was offset by the change in freight weight mix structure as higher unit transportation cost is required for lighter freight since mini freight typically is less dense than bulk freight and takes more space in the truck on a weight unit basis.

Sorting centre cost includes (i) labour costs, (ii) depreciation of right-of-use assets in relation to leased sorting centres, (iii) property management fees and utility costs, (iv) equipment rental costs, and (v) operation and maintenance costs. The following table sets forth a breakdown of our sorting centre cost for the periods indicated:

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Labour costs	**569,249**	**56.7**	577,753	56.1
Depreciation of right-of-use assets	**297,349**	**29.6**	299,111	29.1
Property management fees and utility costs	**62,543**	**6.2**	67,734	6.6
Equipment rental costs	**40,670**	**4.1**	46,785	4.5
Others	**34,139**	**3.4**	37,771	3.7
Total sorting centre costs	**1,003,950**	**100.0**	1,029,154	100.0

Our sorting centre costs decreased from RMB1,029.2 million for the six months ended June 30, 2022 to RMB1,004.0 million for the six months ended June 30, 2023 due to (i) the optimizations we made to some of our smaller sorting centres since Q4 2022, which allows us to reduce the number of our self-operated sorting centres, and (ii) we improved our labour efficiency, and meanwhile reduced the number of our labour force, which resulted in a decrease in labour costs.

The sorting centre unit cost remained relatively stable from RMB188/ton for the six months ended June 30, 2022 to RMB188/ton for the six months ended June 30, 2023. This is due to the enhancement of sorting efficiency brought by upgrading of key hubs and reduction of smaller hubs was offset by a significant increase in the number of shipments due to the change in freight weight mix structure i.e., more mini freight and light freight, thus higher handling cost in sorting on a unit basis.

Costs of value-added services are costs directly incurred in relation to our provision of value-added services, such as the cost of digital devices, shipment waybill and consumables.

The increase in our costs of value-added services from RMB158.7 million for the six months ended June 30, 2022 to RMB176.7 million for the six months ended June 30, 2023 was substantially consistent with the increase of our value-added services revenues. The increase in our unit costs of value-added services from RMB29/ton for the six months ended June 30, 2022 to RMB33/ton for the same period in 2023 was mainly because the decrease in freight volume led to higher unit fixed cost.

Costs of dispatch services primarily represent (i) fees of dispatch services paid to our freight partners, the price of which is determined based on the cost structure of freight partners and market conditions, and (ii) costs incurred by our self-operated dispatch services.

The increase in our costs of dispatch services from RMB889.0 million for the six months ended June 30, 2022 to RMB1,077.9 million for the six months ended June 30, 2023 was mainly attributable to (i) the increase of LTL mini freight volume, and (ii) in order to enhance the service quality, we adjusted the dispatch fees paid to our freight partners, resulting in an increase in our costs of dispatch services. The increase in our unit dispatch costs from RMB162/ton for the six months ended June 30, 2022 to RMB202/ton for the same period in 2023 was caused by the same factors set out above.

Our total cost of revenues was RMB3,997.9 million for the six months ended June 30, 2023, compared to RMB3,865.1 million for the six months ended June 30, 2022, mainly due to the above reasons.

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2023, the gross profit and gross profit margin was RMB552.3 million and 12.1%, respectively, as compared to RMB274.0 million and 6.6%, respectively, for the six months ended June 30, 2022. The increase in gross profit was mainly driven by (i) the combination of our new pricing scheme and reinvigorated freight partners ecosystem, which has contributed to a strong growth in our mini and light freight segment, our high margin business, thus leading to an increase of RMB12/ton in the unit gross profit of value-added services; and (ii) the increase in 2023 overall unit revenue. The increase in gross profit margin was mainly driven by the above-mentioned reasons. As a result, our unit gross profit increased from RMB50/ton for the six months ended June 30, 2022 to RMB104/ton for the six months ended June 30, 2023.

General and Administrative Expenses

The following table sets forth a breakdown of the major components of our general and administrative expenses both in absolute amount and as a percentage of total general and administrative expenses for the periods indicated:

	For the six months ended June 30,			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Salaries and other benefits	**171,952**	**49.5**	219,806	53.7
Business operation expenses	**53,575**	**15.4**	55,245	13.5
Professional service fees	**32,828**	**9.4**	28,295	6.9
Depreciation and amortization	**23,137**	**6.7**	36,683	9.0
Share-based payment expenses	**65,863**	**19.0**	69,085	16.9
Total	**347,355**	**100.0**	409,114	100.0

Our general and administrative expenses decreased from RMB409.1 million for the six months ended June 30, 2022 to RMB347.4 million for the six months ended June 30, 2023. The main changes include (i) the decrease in salaries and other benefits from RMB219.8 million for the six months ended June 30, 2022 to RMB172.0 million for the six months ended June 30, 2023, mainly because we had optimized our organizational structure in Q4 2022; (ii) the increase in professional fees was mainly due to strategic consulting service fees incurred for our strategic transformation; and (iii) the decrease in depreciation and amortisation.

Other Income and Gains/(Losses), Net

The following table sets forth a breakdown of the components of our other income and gains/(losses), net for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Government grants	**7,778**	9,265
Weighted deduction of value-added tax	**84,320**	582
Foreign exchange gain/(loss)	**1,452**	(2,416)
Interest income	**9,326**	6,784
Gain/(loss) on disposal of long-term assets	**984**	(2,564)
Asset impairment	**(19,542)**	(9,670)
Others	**(1,539)**	(4,538)
Total	**82,779**	(2,557)

We recorded other income and gains of RMB82.8 million for the six months ended June 30, 2023, as compared to other losses of RMB2.6 million for the six months ended June 30, 2022. The change was primarily due to the increase in weighted deduction of value-added tax which is RMB83.7 million for the six months ended June 30, 2023, mainly in relation to the utilized weighted deduction of VAT for the six months ended June 30, 2023. We recorded losses from asset impairment of RMB19.5 million for the six months ended June 30, 2023, as compared to losses from asset impairment of RMB9.7 million for the six months ended June 30, 2022, which was mainly due to the losses incurred by the disposal of redundant trucks.

Operating Profit/(Loss) and Operating Profit/(Loss) Margin

As a result of the foregoing, our operating loss of RMB137.6 million for the six months ended June 30, 2022 increased to an operating profit of RMB287.7 million for the six months ended June 30, 2023. Our operating loss margin of 3.3% for the six months ended June 30, 2022 increased to an operating profit margin of 6.3% for the six months ended June 30, 2023, which was mainly due to the above-mentioned reasons.

Finance Costs

The following table sets forth a breakdown of the components of our finance costs for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Interest on lease liabilities	**24,556**	31,062
Interest on bank and other loans	**24,053**	28,653
Total	**48,609**	59,715

Our finance costs decreased by 18.6% from RMB59.7 million for the six months ended June 30, 2022 to RMB48.6 million for the six months ended June 30, 2023, mainly because (i) the decrease in interest on lease liabilities of RMB6.5 million in relation to the optimizations we made to some of our smaller sorting centres since Q4 2022, and (ii) the decrease in interest on bank and other loans of RMB4.6 million mainly because we pre-paid part of the loans for the purchase of trucks as we accumulate excess cash from operations.

Fair Value Change of Financial Assets at Fair Value through Profit or Loss

The fair value change of financial assets at fair value through profit or loss for the six months ended June 30, 2023 was RMB8.4 million, as compared to nil for the six months ended June 30, 2022. And the Company recorded the fair value change of financial products of RMB8.4 million for the six months ended June 30, 2023.

Income Tax (Expense)/Credit

We recorded income tax expense of RMB78.1 million for the six months ended June 30, 2023, as compared to income tax credit of RMB21.7 million for the six months ended June 30, 2022, primarily because tax losses from previous periods of certain subsidiaries were utilised to offset taxable profit. The deferred tax assets are recognised to the extent that it is probable that taxable profits would be available against which the deductible temporary differences and tax losses can be utilised.

Profit/(Loss) for the Reporting Period

As a result of the foregoing, we recorded a profit of RMB169.3 million with a net profit margin of 3.7% for the six months ended June 30, 2023, as compared to a loss of RMB175.7 million with a net loss margin of 4.2% for the same period of 2022, which was, in particular, attributable to (i) the increase of RMB278.3 million in our gross profit due to the increase of overall unit revenue and the above-mentioned factors, (ii) the increase of RMB85.3 million in other income and gains due to the increase in weighted deduction of value-added tax, and (iii) the decrease of RMB61.8 million in general and administrative expenses in relation to our organizational upgrades, and (iv) the decrease of net profit of RMB99.8 million caused by income tax expenses for the six months ended June 30, 2023 as compared to income tax credit for the six months ended June 30, 2022.

Non-HKFRS Measures

To supplement our consolidated financial statements that are presented in accordance with HKFRS, we also use adjusted net profit/(loss) for the period (a non-HKFRS measure), adjusted pre-tax profit/(loss) (a non-HKFRS measure) and adjusted EBITDA (a non-HKFRS measure), as additional financial measures, which are not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of these non HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

The following table sets out our non-HKFRS measures, and a reconciliation from loss for the period to adjusted net profit/(loss), adjusted pre-tax profit/(loss) and adjusted EBITDA for the period (three non-HKFRS measures) for the periods indicated.

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Profit/(loss) for the period	**169,327**	(175,677)
Add:		
Shares-based payment expenses[1]	**66,443**	70,805
Adjusted net profit/(loss) for the period	**235,770**	(104,872)
Add:		
Income tax expense/(credit)	**78,141**	(21,682)
Adjusted pre-tax profit/(loss) for the period	**313,911**	(126,554)
Add:		
Depreciation	**528,266**	529,349
Amortisation of other intangible assets	**5,245**	12,720
Interest income	**(9,326)**	(6,784)
Finance costs	**48,609**	59,715
Adjusted EBITDA	**886,705**	468,446

Note:

(1) Share-based payment expenses relates to the share rewards we granted to our employees, which is a non-cash item.

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	(%)	
Net profit/(loss) margin	**3.7**	(4.2)
Adjusted net profit/(loss) margin	**5.2**	(2.5)
Adjusted pre-tax profit/(loss) margin	**6.9**	(3.1)
Adjusted EBITDA margin	**19.5**	11.3

Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

Depreciation

The following table sets forth a breakdown of the components of our depreciation for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Depreciation of right-of-use assets	**307,503**	314,920
Depreciation of motor vehicles	**193,152**	185,992
Others	**27,611**	28,437
Total	**528,266**	529,349

Liquidity and Financial Resources

The Group's cash and cash equivalent remained relatively stable from RMB1,039.3 million as at December 31, 2022 to RMB1,027.5 million as at June 30, 2023.

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary course of business, including payments received from its customers.

Borrowings and Gearing Ratio

As at June 30, 2023, the Group had outstanding secured borrowings of approximately RMB707.2 million, and had no outstanding unsecured borrowings. The Group's borrowings carried interest at prevailing market rates.

As at June 30, 2023, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was approximately 26.1% (December 31, 2022: 41.5%).

The borrowings of the Group are all held in Renminbi. And the cash and cash equivalents of the Group are held in Renminbi, U.S. dollars and Hong Kong dollars. During the Reporting Period, the Group has not used any derivatives and other instruments for hedging purposes.

Significant Investment Held

During the Reporting Period, the Group did not have any significant investments, acquisitions or disposals.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As of June 30, 2023, the Group did not have plans for material investments and capital assets.

Charge on Assets

As at June 30, 2023, certain of our bank loans and other borrowings were secured by mortgages over certain of our motor vehicles and buildings with a net carrying amount of RMB307.0 million and RMB104.6 million, respectively.

Contingent Liabilities

As of June 30, 2023, we have guaranteed certain bank loans made to our customers, which amounted to RMB1.5 million. As of June 30, 2023, we did not have any other material contingent liabilities.

Capital Commitment

As of June 30, 2023, the capital commitment of the Group amounted to RMB25.8 million.

Foreign Exchange Exposure

We have transactional currency exposures. We conduct our businesses mainly in Renminbi, with certain transactions denominated in other currencies, such as U.S. dollars. Certain of our time deposits, cash and bank balances, other financial assets, trade and other receivables, trade and other payables are denominated in foreign currency which are exposed to foreign currency risk. During the Reporting Period, we did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Share Pledge

During the Reporting Period, there is no pledge by our controlling shareholders of their interests in the shares of the Company (the "**Share(s)**") to secure the Company's debts or to secure guarantees or other support of its obligation before the Listing and we do not have any controlling shareholder upon the Listing.

III. OUTLOOK AND PROSPECTS

Future Strategy

2023 marks a pivotal year of transformation for the Company, as we have been implementing our new strategy with an emphasis on quality and profitability. Over the past decade, we have built a leading LTL network through a scale-driven approach and achieved great success in that regard. In today's ever-changing business environment, we must adapt and evolve to consistently improve our profitability and service quality to sustain high quality growth. We have decided to shift our strategic focus from one that prioritizes on scale to one that emphasizes increasing operational efficiency and consistently improving service quality. We are rigorously implementing below measures to ensure a smooth strategic transformation.

(i) Enhance the level of our service quality

- Improve the overall timeliness and safety of our service to attract and retain high-margin shippers
- Ensure the consistency and persist improvement of our service quality while maintaining our cost efficiency

(ii) Enhance operational efficiency

- Further upgrade our sorting centre network and optimize line-haul routing to drive operational efficiency enhancement and reduce unit cost
- Continue adequate control of expenses to enhance operating profit margins

(iii) Accelerate investment in digitalisation

- Further investment in a comprehensive and sophisticated IT infrastructure as the foundation of firm-wide digitalisation
- Deepen the digitalisation granularity of our operation and management to further unlock efficiency and quality improvement potentials

(iv) Expand product offerings and new types of customers to capture potential growth opportunities

- Further explore KA business and expand new clients
- Extend our product to meet more logistics demand such as regional LTL transportation needs

(v) Strengthen our management over our ecosystem, primarily with freight partners and agents to drive freight volume growth

- Use price tools to deliver precise subsidies to stimulate freight volume growth while maintain sustainable margins

- All-around enabling of our freight partners and agents, including customer acquisition, operation support, after-sale service, etc. to cultivate long-term sustainable growth and loyalty

(vi) Focus on sustainable growth

- Integrate "green transportation" into the guidelines of daily operations to consistently reduce carbon emission

- Improve public disclosure of ESG-relevant information

We believe that above strategies are crucial to the next stage of our transformation, allowing us to strengthen our competitive edges while driving consolidation of China's LTL market.

IV. RISK MANAGEMENT

We are exposed to various risks during our operations. We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as information technology, financial reporting, investment management and internal control.

INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2023 with comparative figures for the six months ended June 30, 2022, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	**2023 (Unaudited)** ***RMB'000***	2022 (Unaudited) *RMB'000*
Revenue	*4*	**4,550,157**	4,139,175
Cost of revenue		**(3,997,875)**	(3,865,148)
Gross profit		**552,282**	274,027
Other income and gains/(losses), net	*5*	**82,779**	(2,557)
General and administrative expenses		**(347,355)**	(409,114)
Operating profit/(loss)		**287,706**	(137,644)
Finance costs	*6*	**(48,609)**	(59,715)
Fair value changes of financial assets at fair value through profit or loss	*7*	**8,371**	–
PROFIT/(LOSS) BEFORE TAX	*8*	**247,468**	(197,359)
Income tax (expense)/credit	*9*	**(78,141)**	21,682
PROFIT/(LOSS) FOR THE PERIOD		**169,327**	(175,677)
Attributable to:			
Owners of the parent		**159,385**	(174,788)
Non-controlling interests		**9,942**	(889)
		169,327	(175,677)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic (RMB)		**0.14**	(0.15)
Diluted (RMB)		**0.14**	(0.15)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**169,327**	(175,677)
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of subsidiaries	**(153,922)**	(91,997)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of the Company	**184,931**	130,640
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**31,009**	38,643
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**200,336**	(137,034)
Attributable to:		
Owners of the parent	**190,394**	(136,145)
Non-controlling interests	**9,942**	(889)
	200,336	(137,034)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Notes	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,577,572**	1,734,558
Prepayments for property, plant and equipment		**3,392**	5,957
Right-of-use assets		**989,979**	982,511
Goodwill		**131,527**	131,527
Other intangible assets		**8,577**	13,822
Deferred tax assets		**194,686**	269,576
Restricted cash		**9,385**	9,726
Other non-current assets		**69,339**	76,934
Total non-current assets		**2,984,457**	3,224,611
CURRENT ASSETS			
Inventories		**7,868**	9,061
Trade receivables	*12*	**24,455**	23,464
Prepayments		**74,323**	90,272
Other receivables and other assets		**705,211**	602,489
Financial assets at fair value through profit or loss		**817,371**	841,673
Restricted cash		**1,030**	313
Cash and cash equivalents		**1,027,530**	1,039,345
		2,657,788	2,606,617
Assets classified as held for sale		**31,655**	–
Total current assets		**2,689,443**	2,606,617
CURRENT LIABILITIES			
Trade payables	*13*	**277,464**	306,018
Other payables and accruals		**940,213**	949,122
Interest-bearing borrowings		**551,296**	789,056
Tax payable		**6,131**	5,698
Lease liabilities		**555,189**	522,058
Total current liabilities		**2,330,293**	2,571,952
NET CURRENT ASSETS		**359,150**	34,665
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,343,607**	3,259,276

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	**155,865**	248,245
Lease liabilities	**482,980**	510,359
Total non-current liabilities	**638,845**	758,604
Net assets	**2,704,762**	2,500,672
EQUITY		
Equity attributable to owners of the parent		
Share capital	**149**	149
Treasury shares	**(69,819)**	(11,983)
Reserves	**2,281,368**	2,026,916
	2,211,698	2,015,082
Non-controlling interests	**493,064**	485,590
Total equity	**2,704,762**	2,500,672

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 June 2023

1. CORPORATE INFORMATION

ANE (Cayman) Inc. ("the **Company**") is an exempted company incorporated in the Cayman Islands. The registered office of the Company is located at Sertus Chambers, P.O. Box 2547, Cassia Court Bay, Grand Cayman, Cayman Islands.

The Company is an investment holding company. During the reporting period, the Company's subsidiaries were mainly involved in the less-than-truckload services ("**LTL Services**") in the People's Republic of China (hereafter, the "**PRC**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The revised standards have had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group's revenue and reported results during the reporting period, and the Group's total assets as at the end of the reporting period were derived from one single operating segment, i.e., provision of transportation and related services.

Geographical information

As the Group generates all of its revenues and all the non-current assets are located in the PRC during the reporting period, no geographical segments are presented.

Information about major customers

The Group has a large number of customers and no revenue from a single customer accounted for more than 10% of the Group's total revenue for the reporting period.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
Less-than-truckload		
Transportation	**2,531,404**	2,413,264
Dispatch services	**1,179,875**	985,038
Value-added services	**805,547**	729,223
	4,516,826	4,127,525
Full-truckload		
Transportation	**33,331**	11,650
Total	**4,550,157**	4,139,175

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time:		
Transportation	**2,564,735**	2,424,914
Dispatch services	**1,179,875**	985,038
Value-added services	**49,602**	55,288
	3,794,212	3,465,240
At a point in time:		
Value-added services	**755,945**	673,935
Total revenue from contract with customers	**4,550,157**	4,139,175

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Transportation and dispatch services

The Group provides sorting and line-haul transportation services between its sorting centres and then dispatches the goods for its customers. The performance obligations for transportation and dispatch services are satisfied over time when the goods are transported from one location to another. Performance obligations are generally short-term in nature with transit days being less than a week for each shipment. Payment in advance is normally required.

Value-added services

The performance obligations for value-added services are satisfied upon delivery of the related consumables or upon completion of the services. Payment in advance is normally required.

The following table shows the amounts of revenue recognised during the reporting period that were included in the contract liabilities at the beginning of the respective periods:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Transportation and dispatch services	**106,038**	81,349
Value-added services	**13,772**	11,861
Total	**119,810**	93,210

5. OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of other income and gains/(losses), net is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision for impairment of		
– Trade receivables and other receivables	**(6,019)**	(9,670)
– Assets classified as held for sale	**(13,523)**	–
Government grants*	**7,778**	9,265
Foreign exchange differences, net	**1,452**	(2,416)
Gain/(loss) on disposal of property, plant and equipment	**984**	(2,564)
Weighted deduction of value-added tax**	**84,320**	582
Interest income	**9,326**	6,784
Others	**(1,539)**	(4,538)
	82,779	(2,557)

* Government grants mainly represent various supports awarded by the local governments to support the Group's operation.

** Weighted deduction of value-added tax ("**VAT**") mainly represents the utilized weighted deduction of VAT during the current reporting period.

Under *the Announcement on Deepening the Reforms of Value-added Tax Policy* issued by the MOF, STA and the GACC on 20 March 2019, taxpayers in productive service industries are allowed to deduct the tax payable by 10% of the deductible input tax from 1 April 2019 to 31 December 2022.

Under the *Announcement on Clarifying the Value-added Tax Reduction and Exemption Policy for Small-scale VAT Taxpayers and Other Policies* issued by the MOF and the STA on 9 January 2023, taxpayers in productive service industries are allowed to deduct the tax payable by 5% of the deductible input tax from 1 January 2023 to 31 December 2023.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans	**24,053**	28,653
Interest on lease liabilities	**24,556**	31,062
	48,609	59,715

7. FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fair value changes of financial products	**8,371**	–

8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of revenue*	**3,351,922**	3,058,759
Depreciation of property, plant and equipment	**220,763**	214,429
Depreciation of right-of-use assets	**307,503**	314,920
Amortisation of other intangible assets	**5,245**	12,720
Fair value changes of financial products	**(8,371)**	–
Government grants	**(7,778)**	(9,847)
Auditors' remuneration	**1,080**	1,000
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and allowances	**241,731**	260,957
Pension scheme contributions and other welfare	**29,710**	28,056
Share-based payment expenses	**66,443**	70,805
Impairment losses on trade receivables and other receivables	**6,019**	9,670
Impairment of assets classified as held for sale	**13,523**	–
Lease expenses**	**35,727**	48,795
Utility fee	**20,877**	20,366
Interest income	**(9,326)**	(6,784)
(Gain)/loss on disposal of property, plant and equipment	**(984)**	2,564
Weighted deduction of value-added tax	**(84,320)**	(582)

* The amount of cost of revenue excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, employee benefit expenses, lease expenses and utility fee.

** The Group applies the available practical expedients of HKFRS 16 wherein it applies the short-term lease exemption to leases with a lease term that ends within 12 months from the lease commencement date.

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the reporting period.

All of the Group's subsidiaries registered in the PRC, except for certain subsidiaries which enjoy a tax rate of 5%, are subject to PRC enterprise income tax ("**EIT**") at a rate of 25%.

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**2,834**	307
Adjustments in respect of prior years	**417**	(342)
Deferred income tax	**74,890**	(21,647)
Tax charge/(credit) for the period	**78,141**	(21,682)

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2023.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,162,605,486 (2022: 1,162,605,486) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023 and 2022.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Earnings/(loss) attributable to ordinary equity holders of the parent	**159,385**	(174,788)

	Number of shares For the six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**1,162,605,486**	1,162,605,486
Earnings/(loss) per share (RMB)	**0.14**	(0.15)

12. TRADE RECEIVABLES

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Trade receivables	**77,930**	72,298
Impairment	**(53,475)**	(48,834)
Trade receivables, net	**24,455**	23,464

The Group generally requires payment in advance from its customers and seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. The credit terms granted by the Group are generally within 90 days. An ageing analysis of the Group's trade receivables, based on the transaction date and net of loss allowance, as at the end of the reporting period is as follows:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 1 year	**24,455**	23,464

13. TRADE PAYABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**277,464**	305,910
Bills payables	**–**	108
	277,464	306,018

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**267,195**	286,367
3 to 6 months	**2,723**	17,954
6 to 12 months	**6,792**	1,697
Over 1 year	**754**	–
	277,464	306,018

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Change of Directors, Company Secretary, Authorised Representative and Process Agent

During the Reporting Period and up to the date of this announcement, the Director, company secretary, authorised representative and process agent of the Company changed as follows:

Mr. Wang Yongjun	–	tendered his resignation and ceased to act as (i) an executive Director, (ii) the chairman of the Board, (iii) an authorised representative, (iv) the chairman of the nomination committee of the Company (the "**Nomination Committee**"), (v) a member of the environmental, social and governance committee (the "**ESG Committee**") and (vi) a member of the strategy committee (the "**Strategy Committee**") of the Company, with effect from January 9, 2023
Mr. Qin Xinghua	–	appointed as (i) the co-chairman of the Board, (ii) an authorised representative, (iii) the chairman of the Nomination Committee, and (iv) a member of the ESG Committee, with effect from January 9, 2023
Mr. Chen Weihao	–	appointed as the co-chairman of the Board with effect from January 9, 2023
Ms. Li Dan	–	tendered her resignation and ceased to act as (i) a non-executive Director and (ii) a member of the Strategy Committee with effect from March 30, 2023
Mr. Wei Bin	–	appointed as (i) a non-executive Director and (ii) a member of the Strategy Committee with effect from March 31, 2023
Ms. Sha Sha	–	appointed as (i) an independent non-executive Director and (ii) a member of the audit committee of the Company (the "**Audit Committee**") with effect from June 30, 2023
Mr. Wang Jian	–	tendered his resignation and ceased to act as (i) a non-executive Director, and (ii) a member of the Strategy Committee, with effect from August 4, 2023
Mr. Zhang Yinghao	–	appointed as (i) a non-executive Director, and (ii) a member of the Strategy Committee, with effect from August 4, 2023

Re-election of Directors

At the AGM, the Shareholders passed ordinary resolutions in relation to re-election of Mr. Jin Yun, Mr. Wei Bin, Mr. Lam Man Kwong, Mr. Wang Jian and Mr. Geh George Shalchu as Directors. For further details, please refer to the Company's circular dated May 29, 2023.

Compliance with the Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules. Save as disclosed below, during the Reporting Period, the Company has complied with all the applicable code provisions in the Corporate Governance Code.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the Reporting Period, Mr. Wang Yongjun ("**Mr. Wang**") has been the Chairman of the Board, while Mr. Qin Xinghua ("**Mr. Qin**") being the chief executive officer of the Company, is responsible for the day-to-day management of the Company. Therefore, the division of responsibilities between the chairman and the chief executive has been clearly established throughout the Reporting Period.

Mr. Wang resigned as the chairman of the Board and the executive Director, with effect from January 9, 2023. Following Mr. Wang's resignation, Mr. Qin and Mr. Chen Weihao, a non-executive Director of the Company, have been appointed as the co-chairmen of the Board with effect from January 9, 2023. Accordingly, Mr. Qin has been both the co-chairman of the Board and the chief executive officer since January 9, 2023. However, the Board believes that vesting the roles of both co-chairman and chief executive officer in Mr. Qin has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor its corporate governance practices.

Compliance with the Model Code

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

Employees and Remuneration

The Group had 3,563 employees as at June 30, 2023, representing a reduction of 8.5% compared to 3,894 employees as at December 31, 2022. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination.

Remuneration of the Group's employees includes salary, bonus and allowance elements. The compensation programs are designed to remunerate the employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies. We provide periodic training to our employees in order to improve their quality, skills and knowledge, including introductory training for new employees, technical training, professional and management training and health and safety training, as well as extensive training to our sales and marketing team. The Group also has in place incentive schemes for its employees.

Use of Proceeds from the Global Offering

On November 11, 2021, upon the Company's listing on the Stock Exchange, the Company issued 80,220,000 ordinary shares with a par value of US$0.00002 at HK$13.88 each, and raised gross proceeds of approximately HK$1,113,454,000 (equivalent to approximately RMB916,606,000). The Company obtained net proceeds of approximately HK$1,009.2 million (equivalent to RMB830.8 million) (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the Global Offering). The net price to the Company (which was calculated by dividing the net proceeds by the number of shares issued in connection with the Global Offering after taking account of the exercise of overallotment option) was approximately HK$12.58 per share.

The table below sets forth a detailed breakdown and description of the use of net proceeds from the date of the Listing to June 30, 2023. The Company intends to use the net proceeds in the same matter and proportion as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Use of Proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) *(%)*	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) *(HK$ million)*	Amount of net proceeds utilized as of June 30, 2023 *(HK$ million)*	Amount not yet utilized as of the date of June 30, 2023 *(HK$ million)*	Expected timeframe for utilizing the remaining unutilized net proceeds
(A) building, upgrading and potential acquisitions of months 5 to 10 key transit hubs in strategic locations to accommodate our high-volume growth, improve our network structure and ensure stability and long-term planning	**40.0**	**403.7**	**129.5**	**274.2**	**24-36 months from the Listing**
(B) investment in our line-haul truck fleet to further improve our operation efficiency	**30.0**	**302.8**	**302.8**	**–**	
(i) purchase approximately 2,000 to 3,000 modern and high-capacity truck tractors and trailers, and to partner with major trucking manufacturers to customise their models to fit our operational needs	25.0	252.3	252.3	–	
(ii) repay our borrowings for the purchase of trucks	5.0	50.5	50.5	–	
(C) investment in technology innovations	**20.0**	**201.8**	**22.1**	**179.7**	**24-36 months from the Listing**
(i) upgrade the technologies and automated facilities of our sorting network	10.0	100.9	14.7	86.2	
(a) Deploy AI-enabled autonomous decision-making systems in our management of sorting network to reduce human error and reliance on individual workers	2.0	20.2	12.6	7.6	
(b) Sorting automation, with focuses on AI vision monitoring systems, dynamic volume weighing devices, unmanned forklift, IoT devices and automated cross-belts tailored for freight sorting, which enable us to further improve sorting capacity and efficiency	8.0	80.7	2.1	78.6	

Use of Proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) *(%)*	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) *(HK$ million)*	Amount of net proceeds utilized as of June 30, 2023 *(HK$ million)*	Amount not yet utilized as of the date of June 30, 2023 *(HK$ million)*	Expected timeframe for utilizing the remaining unutilized net proceeds
(ii) invest in intelligent transportation management systems and autonomous driving technologies	10.0	100.9	7.4	93.5	
(a) Intelligent transportation management to further optimize our route planning and enhance our transportation efficiency	8.0	80.7	7.4	73.3	
(b) Autonomous driving technologies to improve transportation safety and reduce transportation cost	2.0	20.2	–	20.2	
(D) Working capital and other general corporate purposes	**10.0**	**100.9**	**57.9**	**43.0**	**24-36 months from the Listing**

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

Material Litigation

As of June 30, 2023, as far as the Company is aware, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim of material importance was pending or threatened against or by the Company.

Audit Committee and Auditor

The Audit Committee has four members comprising four independent non-executive Directors, being Mr. Li Wilson Wei (chairman of the Audit Committee), Mr. Geh George Shalchu, Mr. Lam Man Kwong and Ms. Sha Sha, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the interim financial results for the six months ended June 30, 2023, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management. The Audit Committee considers that the interim financial results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

In addition, the Company's independent auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

Other Board Committees

In addition to the Audit Committee, the Company has also established a remuneration committee, a nomination committee, an environmental, social and governance committee and a strategy committee.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2023 and up to the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.ane56.com**).

The interim report for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

SUPPLEMENTAL INFORMATION AND CLARIFICATION IN RELATION TO THE 2022 ANNUAL REPORT

Reference is made to the annual report of the Company for the year ended December 31, 2022 published on April 25, 2023 (the "**2022 Annual Report**"). Unless otherwise defined herein below, capitalized terms used in the paragraphs herein below shall have the same meaning as those defined in the 2022 Annual Report.

The Company would like to provide the following additional information in respect of the Equity Incentive Plans (the "**Equity Incentive Plans**") and would like to clarify certain disclosure in respect of the Share Award Scheme (the "**Share Award Scheme**") of the Company. The information contained in the paragraphs herein below should be read in conjunction with the section headed "Report of the Directors – Equity Incentive Plans and Share Award Scheme" and the section headed "Notes to Financial Statements – 32. Share-based Payments" in the 2022 Annual Report.

Equity Incentive Plans

The maximum entitlement of each participant under the Equity Incentive Plans

Subject to the total number of Shares which may be issued or transferred under the Equity Incentive Plans, the Equity Incentive Plans contain no provisions on the maximum entitlement of each participant.

Share Award Scheme

As disclosed in Note 32 to the Financial Statements, "In 2022, the Company granted certain share units with fair value of RMB70,836,000 to the Group's employees, which were vested immediately". The Company wishes to clarify that the Board passed a resolution to grant certain share units with fair value of RMB70,836,000 to the Group's employees to recognize their contribution to the success and development of the Group in 2022. Part of the relevant shares were purchased by the Trustee of the Share Award Scheme in 2022 and the remaining relevant shares were purchased in 2023, and the granting of the share units underlying the repurchased shares was completed in the first half of 2023 and were vested immediately. The granting of such share units was accounted for as share-based payments for the year ended December 31, 2022 in accordance with HKFRS 2 Share-Based Payment. Therefore, the Company would like to clarify that the following disclosure as set out in Note 32 to the Financial Statements in the 2022 Annual Report:

"In 2022, the Company granted certain share units with fair value of RMB70,836,000 to the Group's employees, which were vested immediately."

shall be replaced as follows:

"In 2022, the Board passed the resolution to grant certain share units with fair value of RMB70,836,000 to the Group's employees as annual bonus in recognition of such employees' performance and contribution during the financial year ended December 31, 2022. Such share units were recognized as share-based payments of the Company for the year ended December 31, 2022."

The above additional information does not affect other information contained in the 2022 Annual Report and all other information contained in the 2022 Annual Report remains unchanged.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By Order of the Board
ANE (Cayman) Inc.
Mr. Chen Weihao and Mr. Qin Xinghua
Co-Chairmen

Hong Kong, August 30, 2023

As at the date of this announcement, the Board comprises Mr. Qin Xinghua and Mr. Jin Yun as executive Directors; Mr. Chen Weihao, Mr. Zhang Yinghao and Mr. Wei Bin as non-executive Directors; and Mr. Li Wilson Wei, Mr. Geh George Shalchu, Mr. Lam Man Kwong and Ms. Sha Sha as independent non-executive Directors.